



Bulls

JK Holdings
Quarterly Report International

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JK Holdings consolidated financial summary for fiscal year ending March 2022

The turmoil continues due to various restrictions imposed by COVID-19 and Russia's invasion of Ukraine. Meanwhile, housing starts are steady, increasing about six to seven percent year-on-year in both overall figures and the owner-occupied housing sector, which is the mainstay of our group.

Under these circumstances, our group put the priority measures of the medium-term management plan “Breakthrough 21” into practice with an eye toward the next generation. Our strengths include the involvement in distribution of wood-based building materials all the way through from upstream to downstream, as well as its manufacturing and processing divisions and overseas divisions. Furthermore, we have built strong relationships with manufacturers as a leading wholesaler of wood-based building materials. Maximizing these integrated strengths as a group, we have strived to secure a sufficient quantity, and procure and produce alternative materials in order to supply a full range of housing materials.

As a result, our consolidated financial performance for the fiscal year ending March 2022 are as follows.

Net sales rose 9.6% from the previous year to 376.12 billion yen, much higher than a growth of 6.6% in overall housing starts. We have introduced a new accounting standard for



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President
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revenue recognition this fiscal year. Taking into account the amount of 16.994 billion yen affected by this change, net sales stood at 393.114 billion yen, a double-digit increase of 14.5% year-on-year.

As for profits, operating income was 12.475 billion yen, 2.3 times the result in the previous year, ordinary income was 13.111 billion yen (2.5 times) and net income attributable to shareholders of the parent company was 8.907 billion yen (3.0 times). The reasons for the unprecedented significant growths in profits include the robust increase in the operating rate at KEY TEC Yamanashi plywood factory which started operation three years ago, as well as our careful control of purchase and sales in both quantity and quality.



The outlook is expected to remain uncertain due to supply chain disruptions, rising material prices and logistics costs, currency fluctuations, and rising interest rates. Under these circumstances, our group has set forth 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. For FY2022 to FY2024 as the first phase of the vision and the first step toward further growth, we have formulated a new medium-term management plan “Further Growth 24”. We will continue to address current issues while maintaining the growth and expansion.

Survey

Business Prospect for July - September 2022

〈Demand Forecast by Builders and Distributors〉

Japan's GDP for January to March 2022 announced by the Cabinet Office declined 0.2% from the previous quarter, turning to a negative growth for the first time in two quarters. The real GDP growth rate for FY2021 increased 2.1% from that of FY2020. The Japanese economy is on a recovery trend, but there remains a sense of lagging behind Europe and the U.S.

Housing starts for FY2021 (April 2021 to March 2022) increased to 865,909 units (106.6% year-on-year), but they were at a low level that failed to reach

900,000 units for the third year in a row, according to the housing statistics released by the Ministry of Land, Infrastructure, Transport and Tourism.

Under the circumstances, we conducted a survey about business demand prospects for July to September 2022. According to the survey, both small builders (contractors and other building companies) and distributors predicted a negative index compared to the previous survey for April to June 2022, showing a decline for two surveys in a row.

With the uncertain outlook for the global economy, including Russia's restrictions on some wood products export, the rapid depreciation of the yen, the price hikes for materials, and city-wide lockdowns in China, we will keep an eye on how these uncertainties

will affect the housing industry in the coming months, as well as on the next business prospect survey for October and beyond.

〈Sales Forecast by Leading Manufacturers〉

In the sales forecasts by major manufacturers, the number of positive views shrunk in all the sectors, and the majority of respondents forecasted flat compared to the previous year. In particular, the three sectors other than housing equipment showed more negative predictions. Although the overall housing starts increased for the 13th consecutive month year-on-year, housing starts of owner-occupied houses decreased for the 4th consecutive month since last December. This suggests the cautious attitude of the respondents.

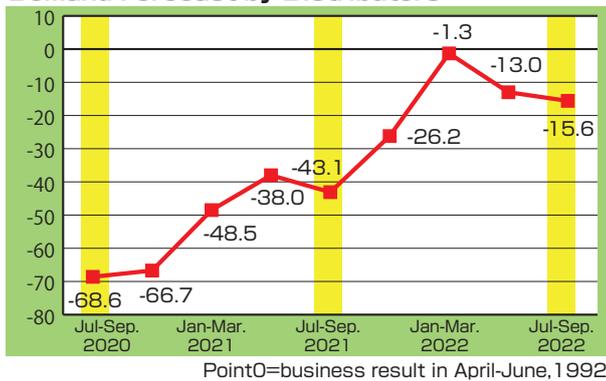
〈Various Topics〉

As to what worries the respondents, the majority (57.5%) were concerned about "purchase price hikes" due to soaring material prices, followed by "passing on higher cost to customers" at 17.2%. It is inferred that concerns stemming from rising costs are growing among a number of businesses. While still wary of COVID-19, businesses are becoming more active in using digital and online services, as well as in-person activities.

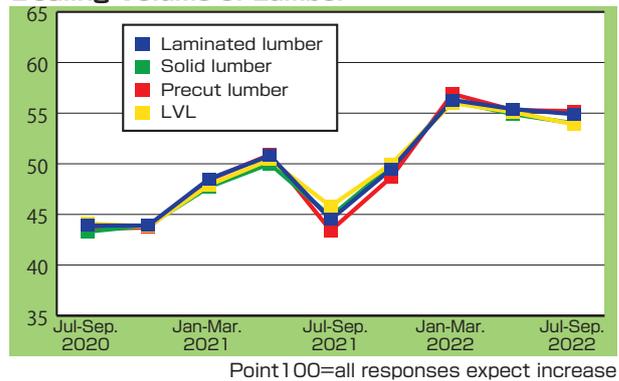
Demand Forecast by Builders



Demand Forecast by Distributors



Dealing Volume of Lumber



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

Sales Forecast by Major Supplying Manufacturers (Jul-Sep. 2022)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	0.0	18.2	63.6	18.2	0.0	0.0
Wooden Building Materials (10firms)	4.5	9.1	18.2	50.1	9.1	4.5	4.5
Ceramic/Heat Insulation (15firms)	0.0	0.0	26.9	65.5	3.8	0.0	3.8
House Equipments (9firms)	0.0	4.0	8.0	64.0	20.0	0.0	4.0
average	1.1	3.3	17.8	60.8	12.8	1.1	3.1

Trend

Market Outlook of Plywood

〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in April 2022 was 258,055 cubic meters (100.2% year-on-year), and shipment was 251,675 cubic meters (93.7%). Inventories were 101,414 cubic meters (97.7%).

Inquiries of Japanese softwood plywood and shipment of mainly 12-millimeter products are firm. Although manufacturers' inventories are slightly increasing, it is considered that they are not so large as to be a problem yet. Japanese manufacturers are rapidly shifting the materials to Japanese species in the wake of the Russian wood embargo, and this trend is expected to continue for the time being. Manufacturer prices have continued to rise every month, which users are accepting at the moment, but it seems to be gradually approaching a sensitive phase, depending on the number of housing starts in the near future.

〈Trend of Imported Plywood〉

Japan's import of plywood in April 2022 was 241,782 cubic meters (113.1% year-on-year), an increase of 10.2% from the results of 219,328 cubic meters in the previous month.

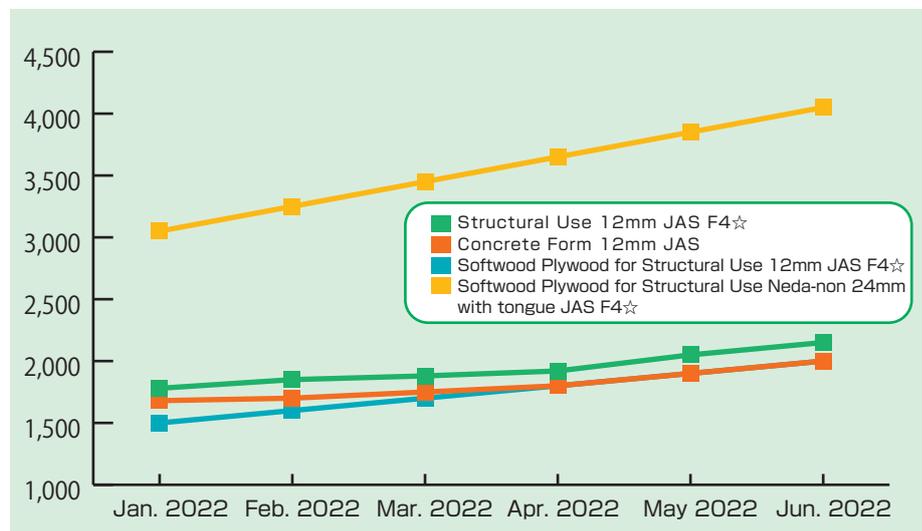
Looking at the result by country of origin, the amount of imported plywood showed 79,629 cubic meters (120.1%) from Malaysia, 83,526 cubic meters (124.0%) from Indonesia, and 55,307 cubic meters (98.1%) from China.

As products continue to arrive in ports more than they are shipped out to the markets, the number of port warehouses with more inventories than their capacity is increasing nationwide, and some of them have begun to limit the amount of cargo coming into port. The market of 12-millimeter plywood

mainly produced in Malaysia maintains a firm condition, but shipment of ordinary plywood from Indonesia with a large arrival at ports is sluggish because buyers keep only spot purchasing. Arrival of structural plywood from China, which would be a substitute for Japanese softwood plywood, is growing. We will keep a close eye on whether this will have an impact on Japanese softwood plywood in the future. It is expected that the tendency to purchase minimum quantity for immediate requirements becomes stronger for the future due to the unprecedentedly high material prices.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Topics 1

JK Holdings moved to Prime Market of Tokyo Stock Exchange

JK Holdings Co., Ltd. moved to the Prime Market of the Tokyo Stock Exchange that reorganized its market classification into three as prime, standard, and growth markets in April 2022. The Prime Market is positioned as the signature market of the Tokyo Stock Exchange, attracting many foreign investors. We will aim for further development as a prime market listed company by setting goals such as increasing the number of outside directors, strengthening our efforts to address sustainability issues, and preparing an environment that facilitates investment by institutional investors.



Commemorative plaque received as proof of a prime market listed company

Topics 2



Classroom in Yoshidajima Senior High School

BUTSURIN CO., LTD. concluded an agreement on collaboration and cooperation with Kanagawa Prefectural Yoshidajima Senior High School on 25 April. BUTSURIN CO., LTD. will provide classes based on actual business needs about once every two months at the school. The company's employees with knowledge and experience will teach "Forest products utilization", a course

BUTSURIN made an agreement with Yoshidajima Senior High School

that teaches the knowledge and techniques necessary for using forest products, in addition to classes of forest science, forest management, and landscape planning.

Over the last 10 to 15 years, social interest in timber and forestry that are sustainable resources has increased, and human resource development has become a major issue. BUTSURIN CO., LTD. will contribute to the development of human resources who will support forests, forestry industry, and greening by sending employees to teach forestry subject at classes and instructing practical work at forests for field

practice. This agreement with the Yoshidajima Senior High School will last until March 2024, and will be renewed every three years thereafter.



Signing ceremony

Prec Component provides timber offcuts to the local community

Prec Component Co., Ltd. has been working on the effective use of timber offcuts since February 2021. The company previously contracted with companies that pick up about 100 cubic meters of timber offcuts annually for a fee, but decided to provide the local community with products including blocks, stepstools and plates that made use of the timber offcuts from the viewpoint of effective use of resources. The products are mainly provided to local childcare facilities and elementary schools.

These continuous efforts were evaluated and the company received a letter of appreciation from the mayor of Higashi-Hiroshima City in December 2021. When a local Kouchi High School student dedicated a Ema (small wooden plates on which people write their wishes and dedicate them to the shrine) to Sugimori Shrine, Prec Component Co., Ltd. produced and provided the Ema stand made from timber offcuts. The company will continue to provide timber offcuts and contribute to the local community.



Blocks made from timber offcuts

Topics 3



Received a letter of appreciation at Higashi-Hiroshima City Hall



Ema, using timber offcuts for the stand, dedicated to Sugimori Shrine



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