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JK Holdings  
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## JK Holdings overview of 1Q business results for the fiscal year ending March 2025

Reflecting on the first quarter, Japan's economy continues its gradual recovery. With the Bank of Japan raising policy interest rates as part of its efforts towards monetary normalization, domestic economic conditions are expected to remain resilient. On the other hand, geopolitical risks in Ukraine and the Middle East show no signs of abating, and exchange rates have fluctuated due to shifts in monetary policies in Japan and the U.S., leaving the outlook uncertain.

In the housing industry, to which our group belongs, in addition to rising prices for building materials and housing equipment, transportation and labor costs are increasing due to factors such as the Logistics 2024 Issue, leading to a surge in housing prices. As a result, while the total number of housing starts in the first quarter remained flat with a 0.5% increase compared to the same period last year, the segments our group focuses on saw declines: owner-occupied housing dropped by 6.0%, and wooden structures decreased by 1.1%.

Under these circumstances, our group took steps to secure supply volume while mitigating the risk of price declines by working on optimizing our inventory levels, as well as proposing changes to product lineup with consideration of price and agility and promoting proposals of value-added items for “building houses that retain their asset value,” among other things.

As a result, our consolidated financial performance for the first quarter is as follows.

### Keiichiro Aoki

President  
JK Holdings Co., Ltd.



The net sales decreased by 1.9% compared to a year ago, reaching 92.908 billion yen, remaining almost on par with the previous year. In terms of profitability, while the whole-sale and retail distribution businesses of general building materials performed steadily, the plywood manufacturing and wood processing businesses continued to post losses, following the trend from the previous year, resulting in an overall decline in profits. Specifically, the operating income was 1.375 billion yen (down 19.2% year-on-year) and the ordinary income was 1.534 billion yen (down 17.7%). The net income attributable to the shareholders of the parent company was 0.771 billion yen (down 17.8%).

Although the first-quarter results were challenging compared to the same period last year due to a decline in housing demand, both sales and profits are operating at a higher level compared to pre-“wood crisis” levels, demonstrating a solid improvement in the group’s overall strength.

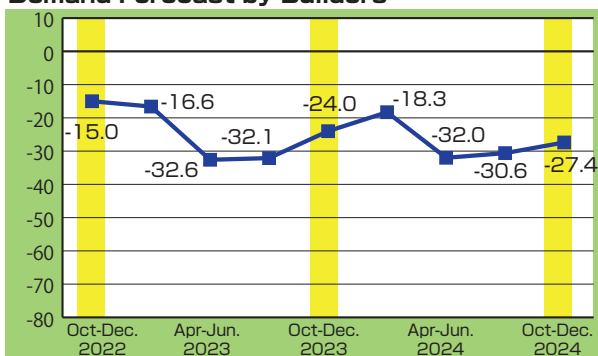
This fiscal year marks the final year of our current medium-term management plan. With an eye toward the next plan, the entire group is working together to establish a strong foundation for future growth.

## Survey

### Business Prospect for October-December 2024

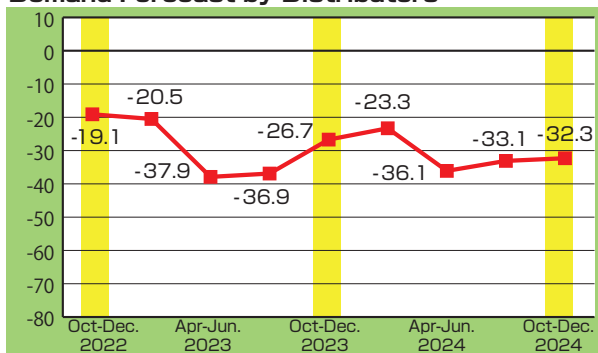
The Ministry of Land, Infrastructure, Transport and Tourism announced the number of housing starts through June 2024, and the cumulative total of housing starts from January to June 2024 was 391,054 units, representing 95.5% of the previous year's figure. Although the total number of starts in April exceeded the year-ago figure, the cumulative total for the first half of 2024 was 95.5% compared to the same period last year, showing a decline. By owner/occupant, all sectors except for company-provided housing, saw a decrease from the previous year. In particular, owner-occupied homes were at 92.6% of the previous year's level in the cumulative total from January to June, marking the 31st consecutive month of year-on-year drop. This indicates a prolonged slump in the single-family housing market.

#### Demand Forecast by Builders



Point0=business result in April-June, 1992

#### Demand Forecast by Distributors



Point0=business result in April-June, 1992

### 〈Demand Forecast by Builders and Distributors〉

Small builders (contractors and other building companies) predicted a negative index of 27.4 points, and distributors predicted a negative index of 32.3 points, with both remaining at a significant negative level. However, the trend is toward gradual improvement after bottoming out in the April-June period. By region, improvements have been observed in areas such as Koshinetsu, Hokuriku/Chubu, and Chugoku since the previous survey, whereas Shikoku is expected to continue seeing a significant decline. Rising costs, including material prices and labor costs, remain contributing factors, and sales of owner-occupied houses continue to struggle. With regulatory and legal revisions approaching in 2025, there is increasing interest among homeowners in high-insulation, airtight, and earthquake-resistant housing.

### 〈Sales Forecast by Leading Manufacturers〉

More manufacturers in the plywood sector forecasted a decline compared to the previous survey. On the contrary, the sectors of wooden building materials, ceramics & insulation, and

housing equipment have improved. More than 80% of respondents in the housing equipment sector, in particular, expected conditions to be on par with or above the previous year's level, indicating steady demand for home remodeling.

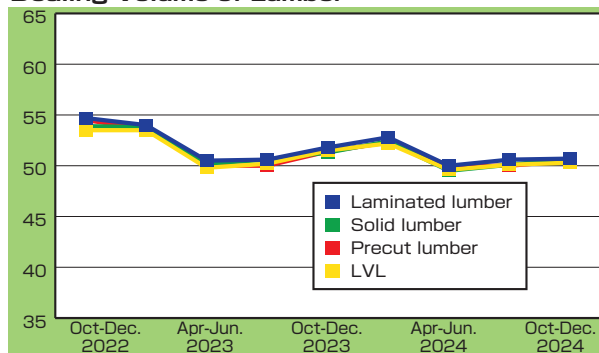
### 〈Various Surveys〉

Amidst record-breaking heat waves across the country and increasing concern about employee health and working conditions, approximately 75% of the surveyed companies have implemented heat countermeasures. However, measures such as insulation renovations and equipment replacements were less common.

In terms of workforce recruitment, only 10% of the surveyed companies were able to meet their hiring plans, while about 35% faced significant challenges. With the review of wage structures becoming increasingly important for securing talent, 74% of the company implemented wage increases. Meanwhile, 76% of the companies passed these higher costs onto selling prices, whereas the remaining companies did not, a number of them was coincidentally nearly identical to that of the companies that did not address wage increases.

The forecast survey for October - December, 2024 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, 2024.

#### Dealing Volume of Lumber



Point 100=all responses expect increase

#### Sales Forecast by Major Supplying Manufacturers (Oct-Dec. 2024)

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below10%	10 ~ 14%	over15%
Plywood (12 firms)	0.0	0.0	8.3	16.7	58.3	16.7	0.0
Wooden Building Materials (17 firms)	0.0	0.0	17.6	41.2	29.4	5.9	5.9
Ceramics & Insulation (21 firms)	0.0	0.0	19.0	38.1	42.9	0.0	0.0
Housing Equipment (21 firms)	0.0	0.0	28.6	52.4	19.0	0.0	0.0
average	0.0	0.0	18.4	37.0	37.4	5.7	1.5

## Trend

### Market Outlook of Plywood

#### 〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in July 2024 was 200,621 cubic meters (93.9% of the same month in the previous year), and the shipments of the item 208,814 cubic meters (95.3%). The inventory was 186,782 cubic meters (114.9%).

The market prices, which had been solidified in April, quickly began to collapse by the end of May, and from June onward, it became unclear what the bottom price might be. As a result, cautious buying for immediate needs has continued up until now. Currently, Japanese plywood manufacturers are calling for another reset and are in the midst of efforts to eliminate the low prices that have persisted since August, aiming for a price increase. While the growth in inventory levels has finally come to a halt for the time being, according to July statistics, we keep an eye on how inventory levels will actually develop from August onwards. As long as supply exceeds demand, the possibility of continued weakness in the market cannot yet be ruled out. Manufacturers are aiming to stabilize market prices through production cuts, but with the market lacking momentum, close attention must be paid to future trends in supply and inventory

levels to see how much production can be adjusted sustainably.

#### 〈Trend of Imported Plywood〉

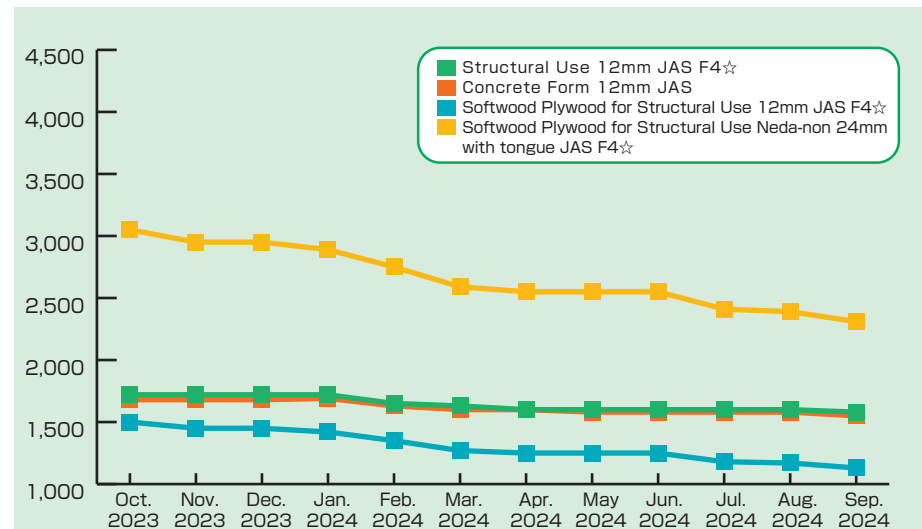
In July 2024, Japan's import of plywood was 181,675 cubic meters (121.1% of the same month in the previous year), which increased 8.7% from 167,206 cubic meters marked in the previous month. By country of origin, 49,906 cubic meters (128.5%) came from Malaysia, 58,104 cubic meters (113.6%) from Indonesia, and 44,878 cubic meters (121.3%) from China.

The increasing trend in the volume of port arrivals has gradually become more noticeable. Shipping volumes from port warehouses were expected to decrease due to fewer operational days in August, leading to an anticipated rise

in inventory levels. In particular, August saw significant delays in port arrivals due to the impact of typhoons. Similarly, typhoon-related disruptions are expected in September, and there is a possibility that restrictions will be placed on the acceptance of goods at port warehouses. Some temporary shortages due to delayed arrivals have been observed, but this has not become a major issue due to weak demand. The shift in exchange rates from yen depreciation to appreciation has also increased the likelihood of softening market conditions in the future, widening the gap between local shippers eager to raise prices and current market realities. While this depends on demand, it is expected that no significant improvement will occur to cause an extreme increase in the volume of port arrivals.

#### Wholesalers' Prices of Plywood in Tokyo

yen/sheet



## Topics 1

### JK Holdings hosts networking event for experienced hires

JK Holdings has made “Promoting Diversity and Inclusion” a key initiative in its medium-term management plan starting from fiscal year 2022.



Group work

In October of last year, a new “D&I Promotion Division” were established within the Human Resources Department. This division is focused not only on surface-level diversity, such as gender, nationality, age, and disabilities, but also on deeper aspects of diversity, including work history, experience, skills, values, perspectives, and ideologies.

To share and broaden understanding of this deeper diversity and to promote the active engagement of diverse talent, JK Holdings held a networking event for experienced hires.

With the participation of 16 employees, the event included lectures on the housing industry and company understanding, as well as group work to facilitate networking and interaction.

JK Holdings will continue to promote the active engagement of diverse talent in the future.



## Topics 2

## KEY TEC: Second commemorative tree-planting event at KEY TEC Forest Kashiya

On May 30, KEY TEC held its second commemorative tree-planting event at KEY TEC Forest Kashiya, where a forest maintenance agreement was signed last year in Hokuto City, Yamanashi Prefecture. The event was attended by four parties who signed the agreement and 36 related individuals from the surrounding areas.

After planting saplings, the participants observed the area scheduled for logging this fiscal year, where “retention forestry” will be practiced, leaving certain trees, such as hardwood species, stand-



In front of “KEY TEC Forest Kashiya”



Planting saplings

ing during the logging process to promote biodiversity and ecosystem restoration. By leaving these trees as seed trees, it is expected to reduce the initial afforestation area and encourage the formation of mixed forests with both softwood and hardwood species.

In addition, new hires of KEY TEC participated in the tree planting, learning about the initial stages of raw

material production for plywood and LVL.

Moving forward, KEY TEC will continue to collaborate with local stakeholders as a business in Yamanashi Prefecture, ensuring a stable supply of locally produced timber and fostering future forest resources in order to contribute to the promotion of the forestry industry.

## Timberam exhibits at Non-Residential Wooden Building Fair 2024

## Topics 3



Simple yet bold design with 4 CLT sheets

Timberam participated in the Non-Residential Wooden Building Fair 2024 held at the large-scale exhibition center, Tokyo Big Sight, following its involvement last year.

In line with the growing trend of using wood for public (non-residential) buildings, we set up a booth to showcase our advanced processing technology for CLT, a material for the future. The simple yet bold design attracted a great deal of attention, with many visitors constantly stopping to take photos. We believe that visitors who touched the CLT directly were able to experience its warmth and texture, resulting in a positive impression.

Compared to last year, we noticed a significant increase in visitors' interest in fire-resistant lumber, which made us truly realize that the era of multiple-floor wooden buildings has finally arrived.

This year's fair saw even more participation from general contractors, laminated lumber manufacturers like us, and pre-cut millers compared to last year, giving the overall event a greater sense of excitement and energy.



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