



Bulls

JK Holdings
Quarterly Report International

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May, 2019

No. 54

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Overview of the Financial Results for JKHD for the Third Quarter of the Fiscal Year Ending in March, 2019

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Housing starts totaled 737,300 units (a decline of 0.5% from the same period of the previous year) for the first 3 quarters of 2019. Housing starts for the owner-occupied, which is our main market, increased 0.5% from the same period of the previous year to 222,300 units. With regard to plywood, which is our main products, there is no change in the supply restriction factors due to the higher tax for logging in the producing regions and the environmental regulations, and the demand keeps shifting to Japanese softwood plywood. The supply of imported plywood that turned to increase in the third quarter for the higher price of imported plywood and the strong yen have brought anticipation of a fall in the product prices for the moment.

Under these business environments, we have enhanced sales of lumber and precut in the basic material sector, have improved our private brands such as Bulls and J-GREEN items (legal lumber), and have worked on functional enhancement of our engineering business to promote sales and improve profitability of the overall building material business in our entire group. Consequently, the consolidated business results for the third quarter found 268.544 billion yen in the net sales (3.1% increase compared to the same period of the previous year), 3.969 billion yen in the operating profit (down 10.8%), and 3.69 billion yen in the ordinary income (down 17.0%). The current net income for the quarter that is attributable to the parent company shareholders was 1.946 billion yen (down 26.3%).

Event

The 41st Japan Kenzai Fair exceeded the projected figures both in sales and visitors

The 41st Japan Kenzai Fair held at Tokyo Big Sight on March 15 and 16 resulted in sales of 54,677 million yen with 20,306 visitors, both of which exceeded the projected figures. With the theme of “connections”, the 41st fair proposed the latest items for living spaces from four perspectives of “IoT”, “5th ROOM”, “air” and “hobby”. What were notable among the exhibitions by the building material manufacturers were such products to improve the living spaces, and their demonstrations attracted many visitors.



Survey

Prospect of Business Condition for April-June

<Demand Forecast by Builders and Distributors>

The demand forecast for April-June 2019 when last-minute demands before the consumption tax raise are expected showed an increase among builders from plus 0.3 point in the previous survey for January-March to plus 1.0 point and unchanged at 1.9 points among distributors. The forecast found positive responses for two consecutive months after about three years.

Analyzing the demand forecast by area, the demand continues to be predicted strong in the west and

weak in the east. They forecast a large growth in western Japan mainly in Kyushu and Chugoku regions, but many expected a decrease in the Kanto region where one third of the population is concentrated.

The number of applications for Flat 35 was 7,632 in January, which was 108% over the previous year's results. We would like to expect a growth in the owner-occupied home and built-for-sale detached home sectors, since the occupancy rate of Flat 35S is as high as 87%. With the consumption tax hike coming up in October this year, it is expected that users' attitude for housing acquisition will be severer. The idea of "housing not as a financial instrument, but as a product to use by living in" would be stronger.

<Sales Forecast by Leading Manufacturers>

The rate of leading manufacturers found over 33 points of growth in all the sectors as plywood, wooden building materials, ceramic, thermal, and housing equipment, and half

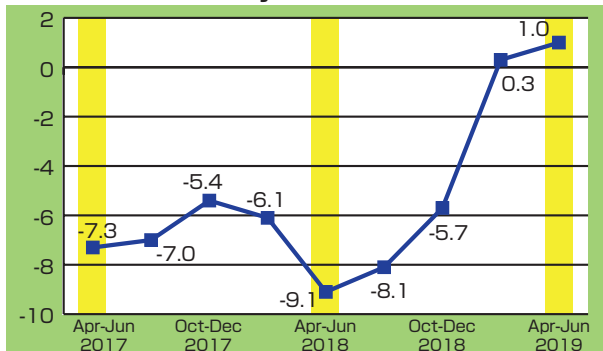
the housing equipment manufacturers in particular predicted an increase. While builders and dealers forecast only a conservative growth, manufacturers predicted a larger increase since they seem to estimate rising demands in the non-residential and remodeling sectors.

<Current Status of Remodeling Business>

The remodeling and renovation business is still prospected to be moving upward all over Japan, but it seems slightly weaker than it was in the previous survey. The unit price of property is rising at the low end. By area, West Japan has been in strong demand, and it is also a good factor that negative prediction decreased in the Kanto region, the giant market. Remodeling would be the sector that will be most paid attention in the next survey as the tax raise approaches.

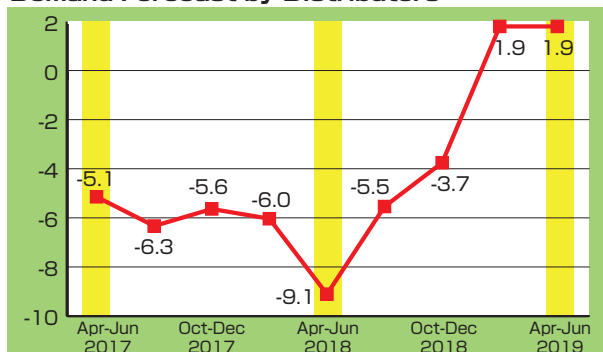
The forecast survey for April-June 2019 is based on the totaled data gathered from 3,000 client companies in Japan through interviews which took place from late-January to mid-February 2019.

Demand Forecast by Builders



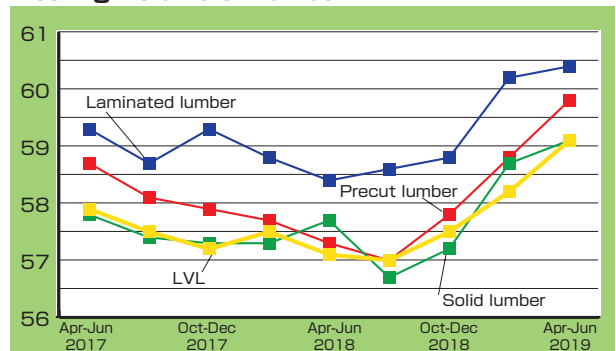
Point0=business result in April-June, 1992

Demand Forecast by Distributors



Point0=business result in April-June, 1992

Dealing Volume of Lumber



Point100=all responses expect increase

Sales Forecast by Major Supplying Manufacturers (Apr-Jun 2019)

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below10%	10 ~ 14%	over15%
Plywood (13firms)	0.0	0.0	33.3	58.4	8.3	0.0	0.0
Wooden Building Materials (10firms)	0.0	2.5	41.3	34.9	18.8	0.0	2.5
Ceramic/Heat Insulation (15firms)	0.0	2.5	31.7	55.0	10.8	0.0	0.0
House Equipments (9firms)	0.0	0.0	50.0	38.9	11.1	0.0	0.0
average	0.0	1.3	39.1	46.7	12.3	0.0	0.6

Trend

Market Outlook of Plywood

<Trend of Domestic Plywood>

In February 2019, production volume of domestic softwood plywood was 263,600 cubic meters (up 4.3% from the same month in the previous year), and its shipment volume was 252,677 cubic meters (up 6.1%). Stock volume showed a slight increase from the previous month to 135,200 cubic meters, which increased after five months of decline.

Though the cargo movement was not so active through general distribution routes, there were actual requirements from businesses through direct distribution routes, precast concrete factories which want to secure inventories before Golden Week holidays.

In western Japan, especially in the Kyushu area, stock volume continued to be low, so, the area is positive to purchase domestic plywood.

New factories are scheduled to start operation soon in prefectures of Yamanashi and Oita, which will

boost the production capacity.

<Trend of Imported Plywood>

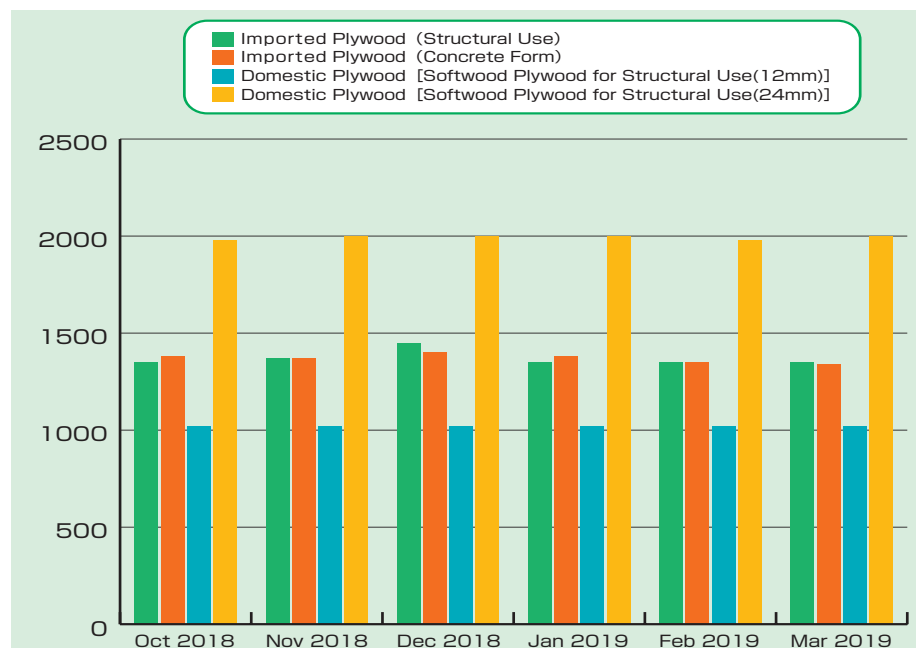
The volume of imported plywood in February 2019 was 257,000 cubic meters (down 6.1% from the same month in the previous year).

Looking into the result by nation, 93,200 cubic meters (down 9.9%) were imported from Malaysia, 76,400 cubic meters (down 12.7%) was from Indonesia, and 65,200 cubic meters (up 2.6%) was from China.

Currently, port inventories have swollen nationwide, because a large amount of plywood arrived at ports since January 2019. With inactive shipment, warehouses are running out of space. Market condition of imported plywood is opposite to that in the previous year, and users are buying hand-to-mouth with low motivation. As there is a trend to shift to domestic plywood in the market, the supply of imported plywood may not drastically increase in the future.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



Company

J-GREEN Enjoys Brisk Sales

Japan Kenzai Co., Ltd., an affiliated firm of JKHD, established an environmental-friendly private brand of a wooden product family named "J-GREEN" and started selling its goods in 2017. The brand is expanding its line of products centering those which can contribute to the resource environment such as affiliated lumber, and eco-friendly products such as timber from forest thinning or recycled materials. J-GREEN's products have rapidly increased its sales responding to the society's growing demand for legitimate lumber and building materials.

Already released private brand "Bulls" has become the company's flagship having annual sales of 12 billion yen by selling the lineup

of housing equipment. Planning to make itself grow as a big brand as "Bulls" in the future, J-GREEN is expanding its product lineup.



Company JK Timber Engineering Group Enjoys Healthy Sales

Sales of JK Timber Engineering Group, which is participated by six companies of the JKHD group (Japan Kenzai Co., Ltd., KEYTEC, Butsurin Co., Ltd., Akita Glulam Co., Ltd., Miyamori Co., Ltd., and Meirin Co., Ltd.) and totally supporting works in wooden structural buildings from designing structure of building frames to construction control, reached a record 4 billion yen in the fiscal 2018. Behind the excellent condition are the facts that construction of large-scale and/or high-rise wooden buildings using structural laminated lumber and CLT has started to spread in Europe, and that ma-

for general contractors and designing offices in Japan have increasingly been interested in wooden structures recently.

In addition to that, public interest in them has drastically gained momentum after athletic facilities of the 2020 Tokyo Olympic Games were built with wood. The six companies of JK Timber Engineering Group will satisfy the demand for wooden buildings making the most of respective company's realms of expertise on businesses of wholesales, laminated lumber and LVL.

東急池上線「戸越銀座駅」



ノーザンステーション秋田駅

キーテック内装用 LVL を活用
写真提供：浅川敏



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