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JK Holdings  
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## JK Holdings overview of 1Q business results for year ending March 2024

The Japanese economy in the first quarter of the year ending March 2024 showed gradual recovery as socioeconomic activities normalized following the downgrading of COVID-19 to Infections of Category 5 for common infectious diseases. Meanwhile, we are facing soaring prices of materials and energy imposed by geopolitical risks due to the prolonged Russian invasion of Ukraine, coupled with the depreciation of the yen due to the interest rate differential between Japan and the United States.

In the housing industry, prices for lumber and wooden materials have been falling in response to the end of the “wood crisis”. On the other hand, prices for building materials and housing equipment have continued to rise, as do general material prices, leading to higher housing prices. As a result, the market for new houses, mainly custom-built housing, has been sluggish. While overall housing starts decreased by 4.7%, the number of owner-occupied houses and wooden houses, which are our group’s forte, showed a large decline of 11.9% and 5.3% respectively.

Under these severe business circumstances, we are strengthening sales activities with an eye on the current as well as future environments of the industry. While we work on optimizing inventory levels, we also promote proposal for change of products with consideration of factors such as price and mobility, as well as of high value-added products for “Building homes that retain their asset value”.

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

Net sales decreased 6.3% compared to a year ago, reaching



**Keiichiro Aoki**

President  
JK Holdings Co., Ltd.

94.752 billion yen, which is still higher than the level before the “wood crisis”, although it did not surpass the result in the same term of the previous year which significantly broke the past records. As for profits, while the retail business of general building materials secured profit growth and remained strong, the plywood manufacturing and wood processing business posted a small loss. As a whole, there was a significant decrease in profit unfortunately. Operating income was 1.702 billion yen (down 49.4% year-on-year), and ordinary income was 1.863 billion yen (down 51.0%). Net income attributable to the shareholders of the parent company was 0.938 billion yen (down 61.3%), unfortunately a significant decrease.

Thus, our first-quarter results were challenging against a backdrop of declining housing demand. While material prices are expected to bottom out sometime soon, there are concerns such as price hikes for other materials and rising interest rates, making the situation unpredictable.

We take such shifting tides as an opportunity to overcome this difficult phase and grow, as we have done in the past.

# Survey

## Business Prospect for October-December 2023

Housing starts for January to June 2023, announced by the Ministry of Land, Infrastructure, Transport and Tourism, totaled 409,549 units, 97.8% of the year-on-year result. By owner/occupant, built-for-sale condominiums marked 105.3% and rental houses did 102.5%, remaining firm. On the other hand, built-for-sale detached houses marked 95.6%, and in the case of owner-occupied houses, the result dropped to 89.5%, decreasing by more than 10% from the same period last year. Detached houses built for sale marked their year-on-year decline for the eighth consecutive month, while owner-occupied homes experienced a nineteenth consecutive month of year-on-year drop. It highlights a slump in detached housing.

### 〈Demand Forecast by Builders and Distributors〉

Both small builders (contractors and other

building companies) and distributors predicted a smaller negative index compared to the previous quarter's survey. By region, negative growth is expected to narrow in all regions except Hokkaido and Kyushu, indicating their expectations for autumn demand. In the remodeling sector, the overall number of both positive and negative views did not change so much compared to the previous quarter, demonstrating a sense of sluggish workload. However, the percentage of respondents who answered that the average sales per project was "2.51 million yen or more" increased from 30.6% to 37.8%, indicating that the value of orders received has become higher.

Home sale prices continue to rise due to various cost increases in materials, energy, and labor. Meanwhile, consumers are experiencing an increased burden on household expenditure due to high prices, which is causing a shrinkage in their willingness to buy houses. In addition, fixed mortgage rates have risen, bringing about a change in the state of long-standing low interest rates.

the housing. Those who purchase houses will inevitably have more room to consider their plans. For businesses, it will be necessary to provide customers with proposals that reflect not only the purchase price of homes but also preferential treatment for loans and utility costs.

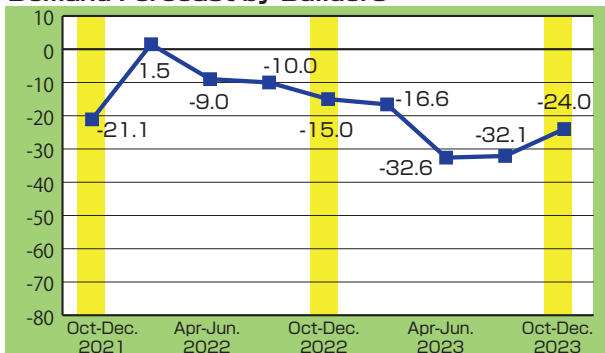
### 〈Sales Forecast by Leading Manufacturers〉

Manufacturers reduced the forecasted decrease, except in ceramics & insulation, compared to the previous survey. In the housing equipment, sales forecast for "increase" exceeded that for "decrease". This indicates that they predict they can secure a certain amount of work for remodeling and renovation projects although housing starts remain flat.

### 〈Various Surveys〉

A new system for issuing and storing qualified invoices and delivery notes will begin in October. About half of the surveyed businesses have completed their registrations for the system, proceeding preparations. In terms of logistics, it is important to secure human resources. To address this issue, it is necessary to take stronger action to reduce working hours. As for business continuity planning against disasters or emergencies, less than 40% of the surveyed companies have not yet started. It is hoped that they will proceed based on the guidelines provided by the related ministries.

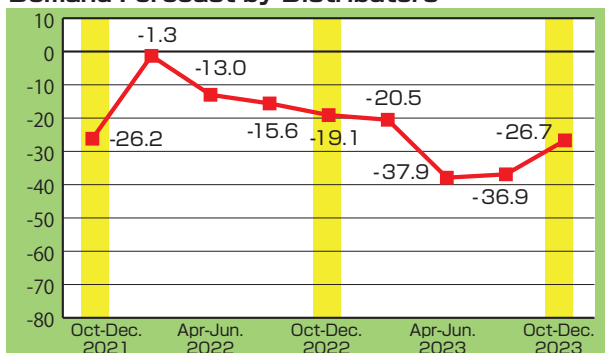
**Demand Forecast by Builders**



Point0=business result in April-June, 1992

Starting in January 2024, the tax deduction for mortgages will be stricter. To qualify for the relief program, houses must adhere to energy conservation standards. The borrowing limit will vary depending on the energy conservation performance of

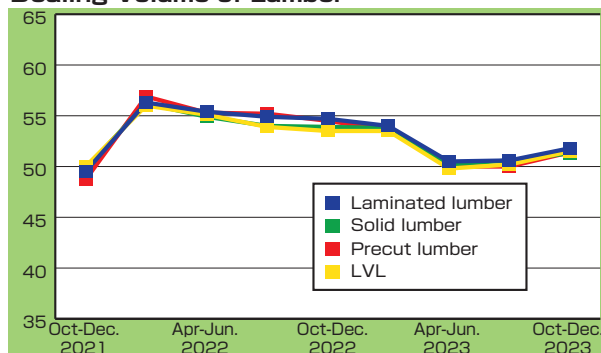
**Demand Forecast by Distributors**



Point0=business result in April-June, 1992

The forecast survey for October - December, 2023 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, 2023.

**Dealing Volume of Lumber**



Point 100=all responses expect increase

### Sales Forecast by Major Supplying Manufacturers (Oct-Dec. 2023)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (12 firms)	0.0	16.7	8.3	25.0	41.7	8.3	0.0
Wooden Building Materials (17 firms)	0.0	5.9	23.5	29.4	23.5	11.8	5.9
Ceramic/Heat Insulation (23 firms)	0.0	4.3	13.0	43.6	34.8	0.0	4.3
Housing Equipment (24 firms)	4.2	0.0	25.0	45.8	25.0	0.0	0.0
average	1.1	6.7	17.5	36.0	31.3	5.0	2.6



## Trend

### Market Outlook of Plywood

#### 〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in July 2023 was 213,562 cubic meters (82.8% of the same month in the previous year), and the shipment of the item was 219,210 cubic meters (87.3%). The inventory was 162,640 cubic meters (159.8%).

Japanese manufacturers have been maintaining their supply adjustments through production cuts. The market has completely bottomed out and there are no more extreme price reductions, resulting in the prices remaining flat. Although there was a rush of orders before the major holidays in August, the situation has now calmed down and buyers have shifted to purchases for immediate demand. In any case, in a situation of slowing growth in housing starts, each company maintains the purchase for current demand. Unless there are any unexpected factors, the shipments of products are not expected to see significant improvement in the foreseeable future. Currently the supply and demand manage to balance due to the effects of the production cutbacks.

#### 〈Trend of Imported Plywood〉

Japan's import of plywood in July 2023 was 149,959 cubic meters (62.1% of the same month in the previous year) increasing 5.1% from 142,632 cubic meters in the previous month. By country of origin, 38,844 cubic meters (54.8%) came from Malaysia, 51,142 cubic meters (64.8%) from Indonesia, and 37,001 cubic meters (60.5%) from China.

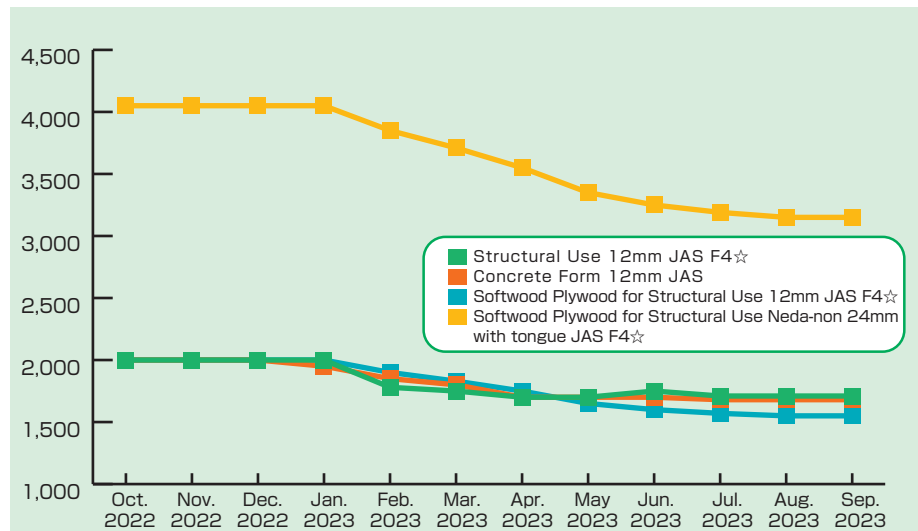
The continuing significant decline in port arrivals has been reducing the warehouse occupancy rate. Some warehouses have started to accept a wider range of cargoes, avoiding ply-

wood due to its unpredictable factors.

Although the market prices are currently leveling off with a sign of bottoming out, they show sluggish response and remaining strong resistance to price increases driven by exchange rates. There is still no sign of change in the local prices, but the rapid depreciation of the yen has led buyers to adopt a wait-and-see approach to determine the extent of their orders. In the meantime, they would continue to make hand-to-mouth buying. With unpredictable future demand and unstable exchange rates, it is likely that the wait-and-see attitude will maintain for the time being.

#### Wholesalers' Prices of Plywood in Tokyo

yen/sheet



## Topics 1

### Japan Kenzai held exhibition and sales event

Japan Kenzai Co., Ltd. held a trade exhibition, "Japan Kenzai Fair" at Tokyo Big Sight on August 24 and 25. It was the first time in four years that the show was organized without the impact of COVID-19. It was a great success with the number of visitors totaling 14,556, or 112% of the planned number of visitors, and the sales reached 30.69 billion yen, or 102% of the planned amount.

The event theme was "Road to 2030, Connecting now, and to the Future," the same as last year. There were many exhibits showcasing efforts toward a sustainable



Ribbon-cutting ceremony at the opening ceremony



Large LEDs are placed at the entrance to create the feeling of entering a forest



Volume of carbon storage per one sheet of softwood plywood expressed in a balloon

future. Topics that stood out at the seminars held at the fair venue included extending the service lifespan of wooden houses, sustainable management, increasing the asset value of houses, and renovation.

Japan Kenzai provided the visitors with a great opportunity to reassess the environments surrounding the housing industry as well as to get hands-on experience with the latest equipment and devices.

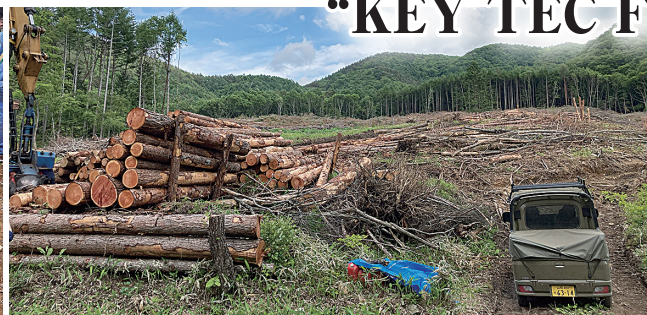


## Topics 2

# Memorial tree-planting for “KEY TEC Forest Kashiya”



Planting trees



Land cleared this year will continue to be planted and underbrushed next year and beyond

KEY TEC Co., Ltd. implemented reforestation at the “KEY TEC Forest Kashiya” in Hokuto City, Yamanashi Prefecture in April, and conducted a commemorative tree-planting on June 1. The memorial tree-planting was part of a project in which the owners and stakeholders collectively promote sustainable forestry on approximately 57 hectares of land owned by Yamanashi Prefecture and managed by the Kashiya Common Forest Management and Protection Association.

KEY TEC concluded a forest maintenance agreement with forest owners and log producers in Yamanashi Prefecture on March 2. The agreement is to establish a mechanism to ensure the implementation of the logging-reforestation cycle, and to reduce costs and

manpower by integrating the process from logging to ground preparation for afforestation and reducing the number of trees to be planted. KEY TEC encourages sustainable forest management by purchasing logs systematically for its plywood and LVL manufacturing at prices that support reforestation.

For the tree-planting event, 27 people gathered, including the four parties to the agreement as well as forest owners from the surrounding area. They planted trees on eight hectares of land that was cleared last year. It is in the process of logging another eight hectares this year, with plans for planting and underbrushing to continue next year and beyond.

KEY TEC built a plywood plant in Minobu-cho, Yamanashi Prefecture five years ago. Through working in partnership with the local community, we will contribute to the promotion of forestry including securing a stable supply of wood grown in the prefecture and nurturing future forest resources.



In front of the sign for “KEY TEC Forest Kashiya”

## Nihon Paneform’s community contribution activities

## Topics 3

The Hiroshima Factory of Nihon Paneform Co., Ltd. accepted students for a workplace experience program, “Waku-Waku (Exciting) Work Experience Week” as part of its social contribution to the local community. The program is offered to second-year students at junior high schools in Higashi-Hiroshima City, Hiroshima Prefecture.

During the work experience session, the students received a job explanation with drawings and related diagrams prepared by the design section, followed by hands-on experience with CAD input. Afterward, the participants had the opportunity to see and touch actual wood and plywood while hammering nails in the factory.



Explaining contents with drawings



Nail hammering experience



Coloring of homemade flower pots

In addition, the students watched a video about 2x4 housing, tried creating quotations, and crafted flower pots using timber offcuts.

Nihon Paneform will continue to contribute to local social activities by providing workplace experience opportunities.



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