



Bulls

JK Holdings
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JK Holdings overview of 3Q business results for year ending March 2024

The Japanese economy in the third quarter of the year ending March 2024 continued to show gradual recovery as a whole, while socioeconomic activities normalized in the post covid. Meanwhile, the outlook remains uncertain, as we are still facing soaring prices of materials and energy imposed by the situation in Ukraine and the tensions in the Middle East, and the yen's depreciation caused by the interest rate differential between Japan and the U.S., and others, in addition to the fact that the "Logistics 2024 Issue" has intensified the labor shortage.

In the housing industry to which our group belongs, housing demand has been sluggish due to factors such as housing prices remaining high while real wages have been stagnant. The overall number of housing starts until the end of the third quarter declined by 6.3%. Additionally, owner-occupied houses, which are our group's forte, dropped by 12.2%, and wooden structures decreased by 5.0%, indicating a continuous reduction respectively.

Under these circumstances, our group has been stimulating sales activities at the same scale as we did before the COVID-19 pandemic, passing on price increases appropriately and promoting new products and proposals of value-added items for "building houses that retain their asset value," among other things.

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

Net sales decreased by 4.7% compared to a year ago, reaching 295.156 billion yen, close to the result in the same term of the previous year, which significantly broke the past records due to the "wood crisis". As for profits, while the



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retail business of general building materials secured as much profits as the previous term to remain firm, the plywood manufacturing and wood processing business decreased significantly. As a whole, there was also a sharp decline in profits. Specifically, operating income was 6.552 billion yen (down 36.6% year-on-year) and ordinary income was 7.202 billion yen (down 33.1%). Net income attributable to the shareholders of the parent company was 4.14 billion yen (down 40.1%). However, compared to the plan at the beginning of the fiscal year, which incorporated various factors after the "wood crisis", the sales were almost in line with the plan and the profits exceeded the target.

The operating environment is expected to become even more difficult toward the end of the fiscal year, as mid-sized builders of built-for-sale housing, which had been performing relatively well, are now disposing of their inventories. Moreover, we are also concerned that housing demand may slow down further early next fiscal year due to the expected hike in interest rates in addition to the soaring prices of materials. In such a challenging environment, we will strive to improve performance by leveraging the overall strength of the group.

Survey

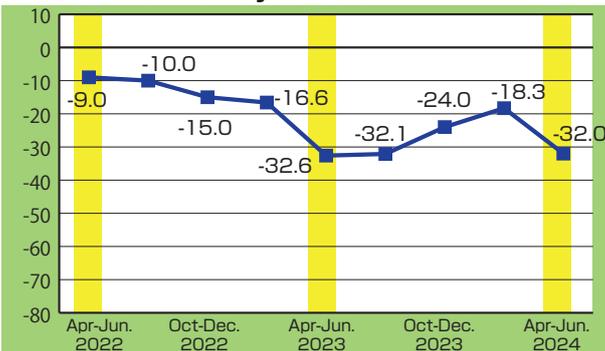
Business Prospect for April-June 2024

Housing starts in 2023 were 819,623 units (95.4% against the result of the previous year), which turned to decrease for the first time in three years. Looking at the result by owner/occupant, the figures decreased in all types of houses including owner-occupied houses (88.6%), rental houses (99.7%), condominiums for sale (99.7%), and detached houses for sale (94.0%). Among them, those of owner-occupied houses were lower than the result of the preceding year for the 25th consecutive month and those of detached houses for sale, for the 14th consecutive month, which clearly shows the sluggishness of single-family houses.

〈Demand Forecast by Builders and Distributors〉

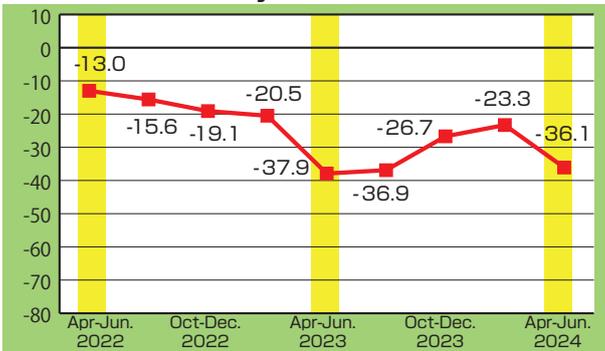
Both builders and distributors gave their evaluations with minus 32.0 point

Demand Forecast by Builders



Point0=business result in April-June,1992

Demand Forecast by Distributors



Point0=business result in April-June,1992

and minus 36.1 point respectively, whose minus points expanded from the previous survey. The forecast went downside for the first time in a year. By area, housing demand in all areas excluding Hokuriku and Chugoku was expected to show increased minus points.

In 2023, housing performance improved to a certain degree thanks to national policies such as “2023 housing energy saving support campaign”. Due to the influence of the Noto Peninsula earthquake at the beginning of this year, people’s interest in earthquake resistance has grown significantly. There is a movement in local governments to strengthen the utilization promotion of seismic renovation subsidies for wooden buildings. Now that public’s interests on the improvement of housing performance are growing, we need to proactively offer safe, secure, and comfortable housing focusing on the quality and the performance such as high seismic resistance, high insulation, and high airtightness.

〈Sales Forecast by Leading Manufacturers〉

In all groups of business, the number of makers who answered ‘decrease’ enlarged from the previous

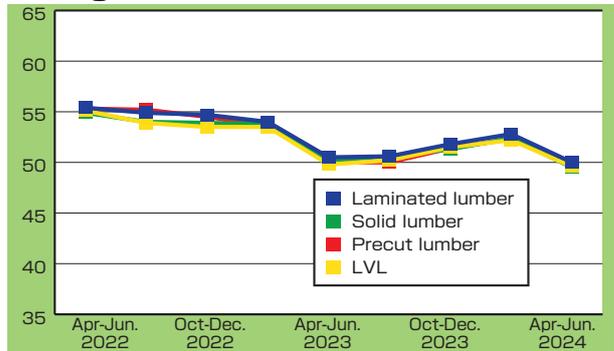
survey. Especially about “plywood” and “ceramics/insulation”, the rates of ‘decrease’ were more than 50%. On the other hand, regarding “housing equipment”, the answers predicting ‘increase’ expanded and turned into a plus, which shows the solidity of housing renovation.

〈Various Surveys〉

The results showed that the respondents are feeling the necessity of base materials for temporary repairs, and then, temporary electrical equipment when a large-scale disaster occurs. Regarding the price pass-through status, the rise in material cost seems to have come to a halt, however, more than half of the respondents answered, ‘that is ongoing’, which tells that the price pass-through is proceeding just step by step. The Small and Medium Enterprise Agency set every March and September as “Promotion Months for Price Negotiation” under the situation where energy costs, raw material costs, and labor costs are increasing. When transportation costs and personnel costs increase due to so-called “2024 issue”, further price pass-through will be required. Nowadays, it is considered effective to use generative AI, a total of 22% of those answered “will use” or “considering using it”. But security measures should be prepared.

The forecast survey for April to June, 2024 is based on the totaled data gathered from 3,000 client companies in Japan through the internet, which took place from late-January to mid-February, 2024.

Dealing Volume of Lumber



Point100=all responses expect increase

Sales Forecast by Major Supplying Manufacturers (Apr-Jun. 2024)

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below 10%	10 ~ 14%	over 15%
Plywood (11 firms)	0.0	0.0	18.2	27.3	54.5	0.0	0.0
Wooden Building Materials (17 firms)	0.0	0.0	11.8	47.0	35.3	5.9	0.0
Ceramic/Heat Insulation (24 firms)	0.0	0.0	12.5	29.2	58.3	0.0	0.0
Housing Equipment (23 firms)	0.0	4.3	26.1	56.6	13.0	0.0	0.0
average	0.0	1.1	17.2	40.0	40.3	1.5	0.0

Trend

Market Outlook of Plywood

〈Trend of Japanese Plywood〉

Japan’s production of softwood plywood in January 2024 was 199,085 cubic meters (104.5% of the same month in the previous year), and the shipment of the item was 196,615 cubic meters (105.2%). The inventory was 167,961 cubic meters (92.6%).

Market prices continued to decrease, and in February, they declined further. Still in March, the topic of price drop is much talked about. Due to the sluggishness of housing starts, especially in wooden houses, purchase for immediate needs is continuing in the routes of wooden building materials. With low operating ratio, precut factories wouldn’t arrange necessary materials until the last minute. Though domestic makers are trying to stabilize the market prices by production reduction, currently, they have not hit the rock-bottom prices yet. Although the volume of manufacturers’ inventories has not extremely increased, the production volume might be still high for current demand. Various cost increases are expected in April including wage increases. Unless makers send and disseminate strong messages, it will

still take some more time to stabilize the market prices.

〈Trend of Imported Plywood〉

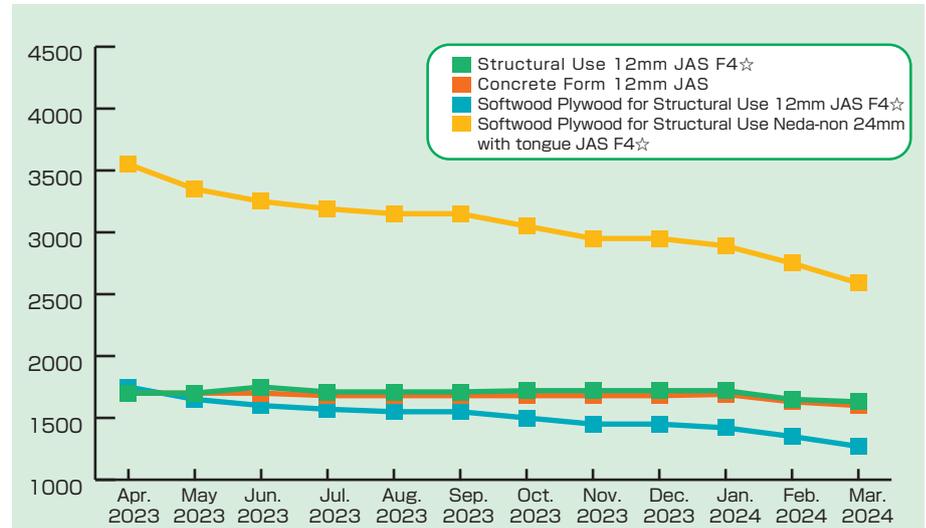
In January 2024, Japan’s import of plywood was 201,527 cubic meters (111.2% of the same month in the previous year), which increased 9.5% from 184,068 cubic meters marked in the previous month. By country of origin, 50,319 cubic meters (124.2%) came from Malaysia, 60,682 cubic meters (108.3%) from Indonesia, and 55,288 cubic meters (107.3%) from China.

The volume of arrival seems to be relatively big for this period when the

fiscal year end (end of March) is approaching, and the main port warehouses are almost full of stock. Major reasons for it could be that products were shipped locally before Chinese New Year, and that stock items were purchased prior to the changes in JAS labeling from February. As a result, containers concentrated at ports, and it is taking long time to do the operation. Some items are low in stock, however, there is no feeling of deficiency because the demand is weak. As price pass-through due to the depreciation of the yen has not yet progressing as expected, minimum essential purchase order to manufacturing areas is likely to continue.

Wholesalers’ Prices of Plywood in Tokyo

yen/sheet



Topics 1

Butsurin’s community contribution cleanup activities

On November 11, 2023, we conducted a cleanup of the seawall area adjacent to Toyosu Gururi Park in Tokyo. The park is managed and operated by a group of companies led by Butsurin Co., Ltd. It was the second cleanup activity for the area, as we aim to contribute to the district surrounding the park through environmental beautification.

In addition to employees of JK Holdings Group, including Butsurin, participants from other companies headquartered in the area also joined the effort. A total of 44 people began the cleanup at 10 a.m. and managed to collect 88.45 kilograms of trash.

Butsurin will continue to contribute to the community through various activities.



Various kinds of waste are being dumped



A lot of garbage is collected

Topics 2 Japan Kenzai's initiatives to visualize its environmental contribution

Japan Kenzai Co., Ltd. has been displaying the carbon storage volume of some of its wooden products on delivery forms and other documents since November 20, 2023, in order to share its environmental contribution with customers in a visible and easy-to-understand manner. The current target

products include its private brand for ecological products "J-GREEN" and forest-certified lumber.

We are currently conducting an exhibition at the headquarters of Japan Kenzai to raise awareness of this initiative. The centerpiece exhibit is a 2.7-meter

Example of display of carbon storage quantity in CO2 equivalent per wooden product on a form



The centerpiece exhibit: The volume of carbon storage (CO2 equivalent) per sheet of softwood plywood

diameter balloon representing the volume of carbon storage in CO2 equivalent per softwood plywood sheet measuring 12 x 910 x 1820 millimeters. The balloon enables us to visualize the specific amount of carbon stored, thereby enhancing the visibility of the products' environmental contributions.

The carbon storage function of wood is attracting attention in a decarbonized society. We hope that the exhibit attracts many visitors, leading to wider recognition of the carbon storage potential of wood and consequently increasing demand for wooden houses.

Products of KEY TEC Co., Ltd. adopted for new JR station

Topics 3

KEY TEC's product Keylam Interior, LVL for interiors, has been adopted for Makuharitosuna Station, a JR station newly opened in 2023.

In ordinary station interiors, metallic materials such as aluminum and steel plates are applied extensively, but for Makuharitosuna Station, Japanese cedar LVL for interior (Keylam Interior) produced in Chiba Prefecture, is used abundantly for pillar finishing and



Bright and open station space

benches on platforms. A distinctive appearance on the cross-section of LVL, resembling that of Baumkuchen, a layered cake, is partially incorporated with other materials to create a soft wooden atmosphere in the station space.

Wood are installed at Makuharitosuna Station. They are recrafted from Chiba-produced Japanese cedar LVL manufactured by KEY TEC, which was used in the Tokyo Olympic and Paralympic Athletes' Village.



Benches at Makuharitosuna Station

In addition, benches made of Legacy

KEY TEC will continue to promote wood use in a variety of ways.