



# Bulls

JK Holdings  
Quarterly Report International

January, 2023

No. 69

## CONTENTS

- P1 JK Holdings overview of 2Q business results for year ending March 2023
- P2 Business Prospect for January - March 2023
- P3 Market Outlook of Plywood  
KEY TEC Concluded Exclusive Distribution Agreement with Pollmeier
- P4 Regional Revitalization Business "YOKAYOKA Project"  
JKHD opened Institute for Future Living Tokyo Showroom

## JK Holdings overview of 2Q business results for year ending March 2023

Movement restrictions due to the COVID-19 pandemic are being eased in Japan, but the supply chain disruptions caused by the constraints imposed by the prolonged Russian invasion of Ukraine and the lockdown for maintaining the zero-corona policy in China have not yet been resolved. In addition, with the widening interest rate gap between Japan and the U.S. and the rapid depreciation of the yen, business prospects have become more uncertain.

In the housing industry, rental and built-for-sale houses are going well, but owner-occupied and wooden houses, which are our group's forte, are declining year-on-year. This is a cause for concern on the future demand. Meanwhile, material items such as lumber and plywood are turning from a bullish market to a bearish market.

Under these circumstances, we held the "Japan Kenzai Fair" at Tokyo Big Sight in August 2022, which was for the first time in three and a half years. The exhibitions in other locations have resumed as well, and our sales activities have been stimulated.

As a result, our consolidated financial performance for the second quarter of the fiscal year ending March 2023, which broke the past records in both sales and profits, was as follows.

Net sales rose by 14.6% year-on-year to 203.804 billion yen, showing a similar growth to what was in the first quarter. Profits maintained a double-digit increase for the whole financial year although profit margins are declining at present due to higher purchase prices. Specifically, operating income was 6.884 billion yen (up 20.4% year-on-



**Keiichiro Aoki**

President  
JK Holdings Co., Ltd.

year), ordinary income was 7.368 billion yen (up 20.4%), and net income attributable to shareholders of the parent company was 4.658 billion yen (up 10.4%).

As described, our second quarter results were extremely strong, maintaining the momentum from the previous quarter. As for the future, however, business environments remain highly uncertain due to a variety of risk factors, including COVID-19, the situation in Ukraine, price trends, and the outlook for exchange and interest rates. The housing industry will also be affected by these factors, either directly or indirectly. A particular concern is the trends in wooden material prices, which are turning from a rising market to a falling market, and the decline in housing demand, which has been firm so far.

Our group, as it has always been, will continue to assess the outlook for change and cope with various issues at hand including inventory reduction in a timely and appropriate manner, making the most of our comprehensive strength and mobility. Moreover, we will ensure the implementation of specific measures that will be developed successively under our new medium-term management plan "Further Growth 24" in order to be prepared for the future.

## Survey

### Business Prospect for January - March 2023

#### 〈Demand Forecast by Builders and Distributors〉

Housing starts for January to September 2022 totaled 643,120 units, which is 101.0% compared to a year ago. Rental houses and single-family homes for sale have been increasing year-on-year every month since the beginning of this year. On the contrary, owner-occupied houses have seen double-digit declines since June, and struggle in the year-to-date total as well with 90.2% compared to a year earlier.

Under the circumstances, we conducted a survey about business demand prospects for January to March 2023. Both small builders (contractors and other

building companies) and distributors predicted a smaller negative index than the previous survey for the previous quarter. The negative indexes expanded in snowy areas such as Hokkaido and Tohoku, but decreased in some other areas such as Kanto and Shikoku. As people are becoming more conscious of saving money due to the rising prices of groceries and daily necessities, we will keep a close eye on how this will affect the housing industry in the future, which is becoming more uncertain.

#### 〈Sales Forecast by Leading Manufacturers〉

In the sales forecasts, the majority of plywood manufacturers had “negative” views, finding more stagnation. On the other hand, the forecasts by manufacturers of wooden building materials and housing equipment saw more “positive” views. The different perspectives can be seen in the forecasts because

there is a continuing shortage of construction workers for wet-area products.

#### 〈Various Topics〉

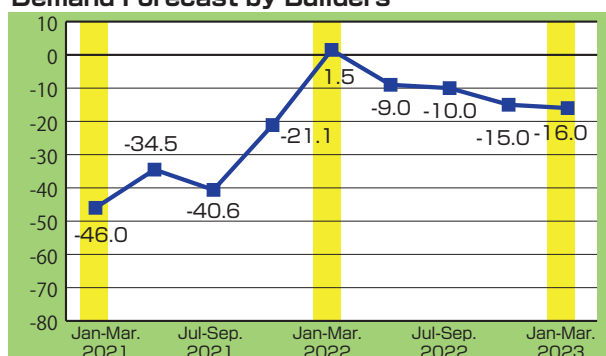
As for inventory conditions, nearly 80% of the surveyed companies responded that they

have “large” or “adequate” inventories. A lot of businesses have sufficient inventories more than enough to meet their needs, indicating a sign of over-supply and stagnant market conditions.

Installation of renewable energy facilities in buildings shall be mandatory in Tokyo, which is agreed and viewed favorably by 73% of the respondents. As efforts for decarbonization and renewable energy in each municipality will be increasingly promoted in the future, our company should be prepared to handle solar panels and high-insulation products.

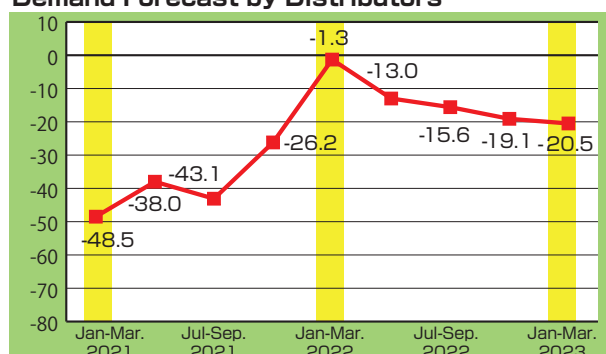
The current status of home remodeling sees a slight increase nationwide over the results in the previous year although it varies by area. Under such conditions, the Cabinet approved a budget proposal for the creation of a new subsidy program to strengthen support for energy conservation in housing. The subsidy, which is expected to be in a large amount, will be available not only for new construction but also for remodeling projects for energy-saving houses. It is important for us to take advantage of the program to capture the demand for remodeling while owner-occupied housing starts at a sluggish pace.

**Demand Forecast by Builders**



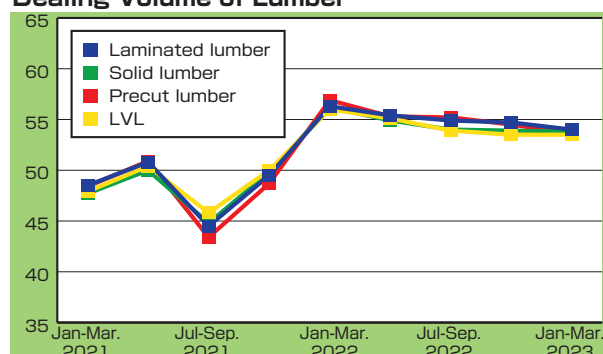
Point0=business result in April-June, 1992

**Demand Forecast by Distributors**



Point0=business result in April-June, 1992

**Dealing Volume of Lumber**



Point 100=all responses expect increase

**Sales Forecast by Major Supplying Manufacturers (Jan-Mar. 2023)**

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below10%	10 ~ 14%	over15%
Plywood (12 firms)	7.7	0.0	7.7	7.6	15.4	46.2	15.4
Wooden Building Materials (10 firms)	6.3	6.3	31.3	24.8	18.8	12.5	0.0
Ceramic/Heat Insulation (15 firms)	0.0	0.0	20.8	41.7	33.3	4.2	0.0
Housing Equipment (9 firms)	0.0	10.0	25.0	35.0	20.0	10.0	0.0
average	3.5	4.1	21.2	27.3	21.9	18.2	3.9

The forecast survey for January to March, 2023 is based on the totaled data gathered from 3,000 client companies in Japan through the internet, which took place from late-October to mid-November, 2023.

## Trend

### Market Outlook of Plywood

#### 〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in October 2022 was 221,858 cubic meters (80.9% of the same month in the previous year), and shipment of the item was 210,503 cubic meters (76.0%). Inventories were 164,761 cubic meters (185.4%).

The Japanese softwood plywood market is focused on buying for current use, while anticipatory demand has completely subsided. There is no sense of product shortage in either distribution route of wooden building materials or pre-cut, and the condition is calm. Since we do not expect to see significant housing starts in the future, the purchase for immediate requirements will continue.

Fires broke out at major manufacturers in October. It is likely to take years for supply capacity to recover, but the market is in a wait-and-see condition with no anticipatory demand occurring. As Japanese manufacturers' inventories are gradually increasing, and even if there is a reduction in supply due to the fires, inventories are likely to increase.

Although manufacturers are trying to maintain prices by adjusting supply, it is considered that they are approaching a difficult situation in reality.

#### 〈Trend of Imported Plywood〉

Japan's import of plywood in October 2022 was 196,386 cubic meters (80.9% of the same month in the previous year), which decreased 2.4% from 201,117 cubic meters in the previous month. By country of origin, 39,544 cubic meters (53.9%) came from Malaysia, 76,451 cubic meters (104.8%) from Indonesia, and 50,713 cubic meters (79.6%) from China.

The cumulative port arrivals from January through October have been about 104.4% year on year. There is a relatively larger number of incoming from Indonesia, but that from Malaysia is expected to maintain the downward trend for the future.

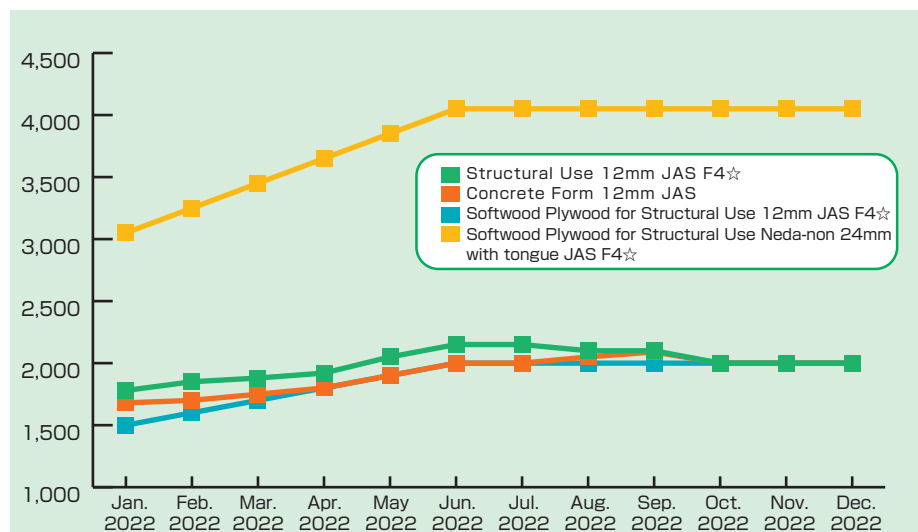
The port warehouses are almost full

nationwide, but the situations have improved in the Western Japan regions more than before. It is important to note that the improvement in warehouse conditions is not due to an increase in shipments, but to a decrease in port arrivals. We should pay close attention to future demand trends.

Meanwhile, ship demurrage has been an ordinary practice in the Northern Japan regions because of shifted peak of vessel arrivals, as well as seasonal factors. As cargo movements in the regions are going to slow down from now on, the situation is expected to be the same for the time being. While future demand is difficult to predict, it is highly likely that orders to local suppliers would continue to be on a temporary basis.

#### Wholesalers' Prices of Plywood in Tokyo

yen/sheet



## Topics 1

### KEY TEC Concluded Exclusive Distribution Agreement with Pollmeier

KEY TEC Co., Ltd. has acquired exclusive rights to sell Pollmeier's high strength LVL (laminated veneer lumber) of spruce and beechwood for Japan. Pollmeier Massivholz is a manufacturer of lumber and LVL in Kreuzberg, Germany. Mr. Stephan Fritsch, Director Sales and Logistics of Pollmeier, visited KEY TEC on October 24, 2022, and concluded the agreement.

Due to the import and export restrictions on Russian lumber, KEY TEC's production and sales of high strength LVL had sharply decreased. However, clients demand the product to construct large-scale buildings such as non-residential buildings. So, KEY TEC was making efforts to procure alternative materials. With this agreement, Pollmeier's LVL was added to the list of alternatives.



Pollmeier's Director Sales and Logistics visited KEY TEC



## Topics 2

## Regional Revitalization Business “YOKAYOKA Project”



Opening Ceremony

In Asakura City, Fukuoka Prefecture, having a population of about 51,000 people, “YOKAYOKA Project” has started. “YOKA” has two meanings in Fukuoka dialect: goodness and good house. Aiming to revitalize the area, six companies of local builders formed a

group. Though they are originally rivals, they are working together under the banner of development through friendly competition. Their concept is “Good People, Good Houses, and Good

Associates”.

The goal is to create jobs, stimulate the economy, and present an attractive Asakura City by local contractors operating construction businesses locally and spending money in the local community.

The project's exhibition space is a for-sale housing exhibition space. The building companies sell the exhibited houses in a limited time and move to other locations. Each of the six companies built unique houses and has created an attractive town.



President Aoki of JK Holdings addresses at the Opening Ceremony



Housing exhibition site

## JKHD opened Institute for Future Living Tokyo Showroom

On October 3, ‘JKHD Institute for Future Living’ was opened in Living Design Center OZONE in Shinjuku. The facility aims to propose spaces where good products of various makers are cross bred, and to improve the business of JK Holdings from ‘product distribution’ to more than that. The showroom is operated jointly by JK Holding’s group companies: Tsusho Co., Ltd., KEY TEC Co., Ltd., and Japan Kenzai Co., Ltd.

One of the highlights is the display of original products, such as wall-mounted showerheads specifically designed for pets. The company aims to create a “happy space” for pets by proposing

building materials for pets (especially dogs), while staying close to pet owners’ concerns.

Furthermore, products that cannot be placed in the showroom are proposed in

the monitors to meet the needs of various visitors. Since advance reservations are available, the needs of the visitors can be identified in advance, and proposals can be made in line with those needs.



A monitor and a pet-friendly sofa in the showroom



Stylish wet-area products



# JK Holdings Co., Ltd.

Wood Land Tower 1-7-22 Shinkiba Koto-ku, Tokyo 136-8405 Japan  
Phone +81-3-5534-3800 Fax +81-3-5534-3835  
URL <https://www.jkhd.co.jp>