



# Bulls

JK Holdings  
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## JK Holdings overview of consolidated financial results for year ending March 2024

In the fiscal year ending March 2024, Japan's economy has been gradually recovering as socio-economic activities return to normal following the end of the COVID-19 pandemic. Currently, there are positive signs such as the Nikkei Stock Average reaching a record high and major companies announcing significant wage increases. Meanwhile, the outlook remains uncertain, as we are still facing soaring prices of materials and energy imposed by the prolonged war in Ukraine and the conflicts in the Middle East, and the yen's depreciation caused by the interest rate differential between Japan and the U.S., in addition to the fact that the "Logistics 2024 Issue" has intensified the labor shortage.

In the housing industry to which our company group belongs, housing demand has been sluggish due to such factors as housing prices remaining high while real wages have been stagnant. The overall number of housing starts declined by 7.0%. Additionally, owner-occupied houses, which are our group's forte, dropped by 11.5%, and wooden structures decreased by 4.6%, indicating continuous reductions respectively.

Under these circumstances, our company group has resumed holding Japan Kenzai Fairs in Tokyo and other locations on a pre-COVID scale, thereby revitalizing our sales activities. Concurrently, we have been working on optimizing our inventory levels, 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. This has strengthened our sales activities, not only for the present but also with an eye on future industry conditions. As a result, our performance for the fiscal year ending March 2024 is as follows.

The net sales decreased by 4.4% compared to a year ago, reaching 388.91 billion yen, remaining at a comparable level to the previous year's results, which significantly broke the past records due to the "wood crisis." In terms of

### Keiichiro Aoki

President  
JK Holdings Co., Ltd.



the profits, our wholesale and retail distribution businesses of general building materials secured a consistent level of profits despite challenging market conditions, whereas the plywood manufacturing and wood processing businesses decreased significantly, and the profits saw a sharp decline as a whole. Specifically, the operating income was 7.871 billion yen (down 19.1% year-on-year) and the ordinary income was 8.67 billion yen (down 15.8%). The net income attributable to the shareholders of the parent company was 5.049 billion yen (down 24.5%). 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 profit exceeded the target.

In the fiscal year ending March 2025, we expect the recovery trend to continue, as there are positive signs such as reports indicating that real wages are expected to increase starting this summer. However, uncertainty remains. There are concerns that housing demand may be further dampened by geopolitical risks such as the situation in Ukraine, the weak yen, rising resource prices, and increased labor costs leading to persistently high prices for housing equipment.

In such circumstances, we will continue to strengthen governance while leveraging the comprehensive strength and agility of our company group to address various challenges as we have done so far.

## Survey

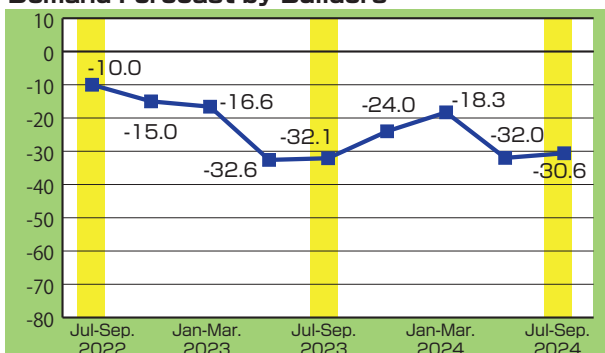
### Business Prospect for July–September 2024

Housing starts in FY2023 were 800,176 units (92.9% against the result of the previous year), which saw a decrease for two consecutive years. By owner/occupant, the figures declined year-on-year in all types of houses including owner-occupied houses (88.5%), rental houses (98.0%), condominiums for sale (88.0%), and detached houses for sale (92.6%). In particular, owner-occupied houses and detached houses for sale have fallen below the previous year's level for 28 consecutive months and 17 consecutive months, respectively, which clearly shows the sluggishness of single-family homes.

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

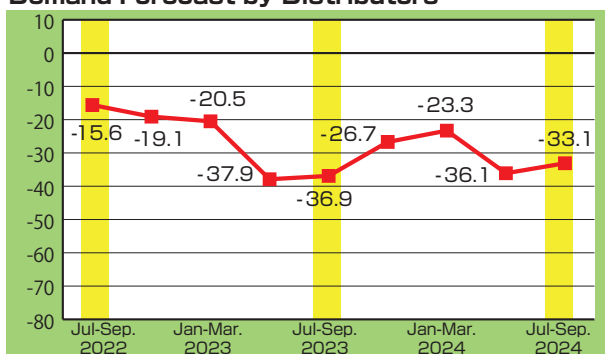
Small builders (contractors and other building companies) predicted a negative index of 30.6 points, and distributors predicted a negative index of 33.1

#### Demand Forecast by Builders



Point 0 = business result in April–June, 1992

#### Demand Forecast by Distributors



Point 0 = business result in April–June, 1992

points, with both remaining below minus 30 points. However, their indices have improved compared to the previous quarter's survey. By region, there has been a significant improvement in Hokuriku, whereas the negative forecast is particularly large in Shikoku.

Since the beginning of 2024, eligibility requirements for housing loan tax deductions have changed, and efforts to display energy-saving performance have become mandatory starting from April. Looking ahead to 2025, with many regulations and laws scheduled for revision, and in light of recent disasters such as the Noto Peninsula earthquake, there is increasing interest in overall housing performance, such as seismic retrofitting in addition to highly airtight and well-insulated homes. In times like these, it is essential to actively pursue the construction of homes that enhance performance and hold high asset value.

#### 〈Sales Forecast by Leading Manufacturers〉

In all sectors except ceramics & insulation, the number of manufacturers forecasting a decline has increased compared to the previous survey. Approximately half of the respondents in the sectors of ceramics & insulation, plywood, and wood building materials predicted

decreases. Meanwhile, forecasts of increases have also risen in the three sectors excluding plywood, indicating a polarizing trend.

#### 〈Various Surveys〉

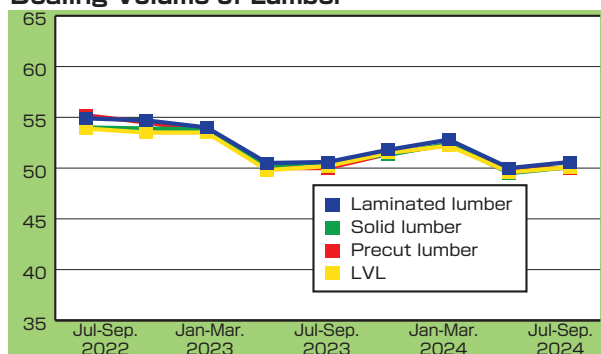
As it has been over 15 years since the implementation of the Long-Term Excellent Housing System, the importance of home inspection has increased. However, the responses indicate that efforts to address this issue have not yet been sufficient. It is important to make efforts toward tackling it to adapt to future changes in the construction environment for new homes.

On the regulatory front, there has been progress in complying with the mandatory energy-saving standards, and there is significantly increased interest compared to the previous survey regarding the reduction of the No. 4 building exception under the Building Standards Act. Furthermore, a certain number of respondents are facing challenges in addressing issues related to the implemented logistics laws and the invoice system.

The percentage of those respondents making use of social media for their business is 32.9%, indicating slow progress in full utilization. Looking ahead, it is important to consider not only social media but also enhancing business efficiency through digital transformation to address future challenges, including labor shortages.

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

#### Dealing Volume of Lumber



Point 100 = all responses expect increase

#### Sales Forecast by Major Supplying Manufacturers (Jul-Sep. 2024)

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (11 firms)	0.0	0.0	9.1	36.3	27.3	18.2	9.1
Wooden Building Materials (11 firms)	0.0	0.0	27.3	27.2	36.4	9.1	0.0
Ceramic/Heat Insulation (18 firms)	0.0	0.0	16.7	33.3	44.4	5.6	0.0
Housing Equipment (18 firms)	0.0	0.0	38.9	27.8	33.3	0.0	0.0
average	0.0	0.0	23.0	31.1	35.4	8.2	2.3

## Trend

Market Outlook  
of Plywood

## 〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in April 2024 was 209,579 cubic meters (109.6% of the same month in the previous year), and the shipments of the item 208,775 cubic meters (104.4%). The inventory was 179,608 cubic meters (107.7%).

Japanese plywood manufacturers have been advocating for a price recovery or price increase starting in April, which has gradually been accepted in the market. Some distributors, sensing a bottoming-out of prices, finally began to build up some inventories. However, they do not perceive that actual demand is as strong, leading to a reversion to their previous pattern of purchasing for immediate needs since May. As a result, although they succeeded in stabilizing the bottom prices, the situation remains such that the price increases advocated by each manufacturer have not been fully actualized. Japanese manufacturers continue to aim for price stability through production cuts. However, there is no sign of shortage in the market, highlighting a significant disparity between the manufacturers' intentions and the market reality. With

a new JAS-certified plant beginning production in mid-May, we will closely monitor the future supply volume.

## 〈Trend of Imported Plywood〉

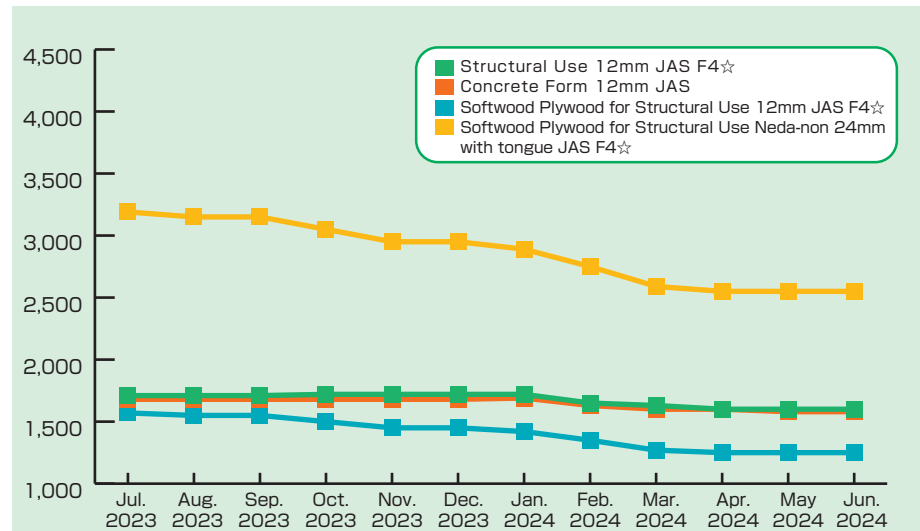
In April 2024, Japan's import of plywood was 174,175 cubic meters (115.3% of the same month in the previous year), which increased 5.8% from 164,641 cubic meters marked in the previous month. By country of origin, 43,520 cubic meters (150.9%) came from Malaysia, 58,901 cubic meters (108.5%) from Indonesia, and 41,730 cubic meters (97.4%) from China.

In addition to a decrease in port arrivals, the steady pace of shipments from

port warehouses has resulted in more available space than before. By item, shipments were going well centering on coated plywood for concrete formwork. While occasional shortages due to delayed arrivals are observed in some cases, there is no widespread shortage occurring on-site. As the depreciation of the yen continues, combined with local price increase announcements, it is certain that future procurement costs will rise. However, the pace of price increases in Japan has been slow and the industry is struggling, possibly due to weak demand. Purchase orders for immediate needs to local producers continue, and it is presumed that the volume of port arrivals will not increase significantly.

## Wholesalers' Prices of Plywood in Tokyo

yen/sheet



## Topics 1

President Aoki of JK Holdings visits  
commissioned forest plantation in Indonesia

On February 2, President Aoki visited the Falcata forest area of Kutai Timber Indonesia (KTI), a major plywood manufacturer in Probolinggo, Indonesia, to plant commemorative trees.



Falcata Plantation

Japan Kenzai, the core company of JK Holdings, commissions KTI to plant 36,300 Falcata trees in a 33-hectare forest area every year as materials for FSC®-certified Falcata combination plywood for its private brand of environmentally friendly products, "J-GREEN".

KTI provides saplings free of charge to a forest cooperative formed by local farmers who cultivate them for about five years. KTI then purchases the Falcata logs at market price, processes them into plywood, and exports them. Japan Kenzai sells the plywood under the brand name "J-GREEN". Since January of this year, we have also started sales to our U.S. subsidiary, Interra USA.

As strengthening relationships with



President Aoki plants commemorative tree

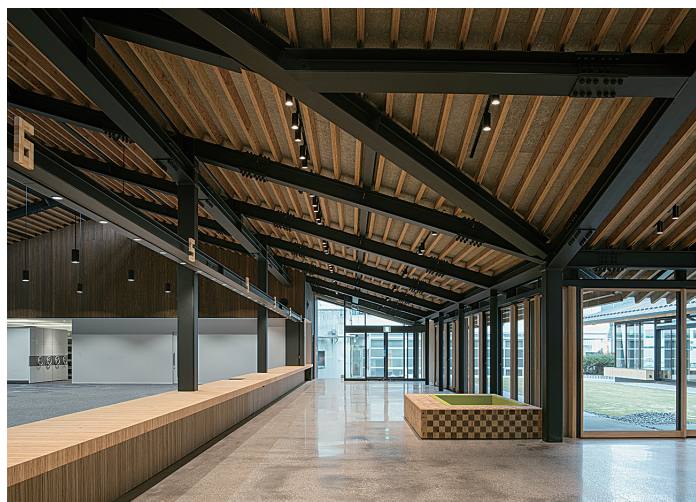
overseas shippers and buyers becomes increasingly important, we will use this project as a model to accelerate our efforts towards improving the global environment and enhancing local economies abroad.

## Topics 2

# Japan Kenzai installs roofs of Kumenan town hall complex



Exterior view of Kumenan Town Hall and complex facilities



Distinctive design continuous to the eaves

The Community Center Kappii Terrace-Kumenan Town Hall complex was established as the town hall and civic center in Kumenan Town, Okayama Prefecture.

A hybrid roof structure combining steel and wood was adopted for the building to meet requirements such as long spans and a lightweight structure. This design enables the lobby, community space, and large hall to be used as an evacuation center and disaster response

hub based on the disaster prevention plan. Specifically, steel is used for the posts and beams, while LVL with visible laminated layers is applied for the purlin.

Japan Kenzai supplied larch LVL purlin, Japanese cedar rafters (specified as wood grown in Okayama Prefecture), larch structural plywood, and LVL interior and fixture materials, and also conducted the roof construction. KEY TEC from the JKHD Group

handled the LVL and structural plywood, with a total of 184 cubic meters of Japanese wood used. The carbon storage of the Japanese wood, converted to CO<sub>2</sub>, amounted to 168 metric tons of CO<sub>2</sub>.

Moving forward, we will continue to leverage the expertise gained from our experience in wood construction to meet the growing demand for hybrid structures.

## Butsurin secures runner-up position in 1st Japan Kubb Open

On April 27, the First Japan Kubb Open in Tokyo East was held at Toyosu Gururi Park in Koto-ku, Tokyo. Butsurin participated with 12 volunteers, including this year's new hires. With a total of 16 teams participating, the tournament was lively and exciting.

Butsurin kubb team "Maruta Team" (Maruta means log in Japanese) achieved a remarkable feat by advancing to the finals after winning through the preliminary round with a mixed team that included first-time participants. Though they narrowly lost in the finals, the team rallied together, gave their all, and achieved a splendid result by securing the runner-up position.

Throughout the tournament, the employees deepened their communication and built teamwork and bonds among each other. We aim for victory in next year's competition.



Throwing the ball into opponent's kubb

## Topics 3



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