Bulls International
JK Holdings Quarterly Report
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CONTENTS

JK Holdings overview of 2Q business results for fiscal year ending March 2025

Keiichiro Aoki
President
JK Holdings Co., Ltd.

Japan's economy has continued its gradual recovery during the first half of the current fiscal year, driven by robust corporate earnings and increased inbound tourism demand. Meanwhile, the outlook remains uncertain due to various factors, including geopolitical risks in Ukraine and the Middle East, economic stagnation in China, rising costs of raw materials, logistics, and labor leading to inflation, as well as exchange rate fluctuations influenced by monetary policies and political developments following elections in Japan and the U.S.

In the housing industry, to which our corporate group belongs, in addition to rising prices for building materials and housing equipment, transportation and labor costs are increasing due to factors such as the Logistics 2024 Issue, leading to a surge in housing prices. As a result, the total number of housing starts in the first half of the current fiscal year saw a 0.8% decrease compared to the same period last year. The wooden structure sector, one of the segments our group focuses on, remained relatively stable with a slight decline of 0.8%, while owner-occupied housing stagnated, experiencing a larger drop of 4.9%.

Under these circumstances, we continue to focus on optimizing inventory levels while proposing for product adjustments that consider pricing and agility, as well as offering value-added products aimed at "creating homes that retain their asset value." Through these efforts, we are strengthening our sales activities not only to address current conditions but also to anticipate future industry trends.

As a result, in the first half of the current fiscal year, both sales and profits remained at a consistently higher level compared to the period before the "wood crisis," finishing close to the levels announced at the beginning of the fiscal year. However, compared to the same period of the previous year, which was still impacted by the wood crisis, both sales and profits decreased, as outlined below.

The net sales decreased by 0.2% compared to a year ago, reaching 190.734 billion yen, remaining a level nearly on par with the previous year despite a slight decline in revenue. In terms of profitability, while the wholesale and retail distribution businesses of general building materials performed steadily despite a drop in profits, the plywood manufacturing and wood processing businesses incurred losses, resulting in an overall reduction in profits. Specifically, the operating income was 3.283 billion yen (down 20.6% year-on-year) and the ordinary income was 3.467 billion yen (down 21.1%). The net income attributable to the shareholders of the parent company was 1.969 billion yen (down 20.0%).

As outlined above, the first-half results remained at higher levels in both sales and profits compared to before the wood crisis. The current trend is also progressing in line with this trajectory, and the full-year forecast is expected to be entirely achievable. Looking ahead, the environment remains uncertain, presenting our corporate group with ongoing challenges that will test its underlying strength. However, we are committed to overcoming these obstacles as a united team.

All the articles contain information as of December 2024

Survey

Business Prospect for January–March 2025

The cumulative total of housing starts from January to September 2024 was 594,435 units, representing 96.3% year-on-year, according to the Ministry of Land, Infrastructure, Transport and Tourism. Among these, owner-occupied homes stood at 93.8% year-on-year, and built-for-sale single-family houses were at 87.8% year-on-year, reflecting the continued sluggish performance of the detached housing market.

〈Demand Forecast by Builders and Distributors〉

Small builders (contractors and other building companies) predicted a negative index of 19.6 points, and distributors predicted a negative index of 24.5 points. This indicates significant improvement from the previous survey, with negative indices shrinking for the third consecutive time. By region, the areas showing improvements compared to the previous survey have increased, including Tohoku, Kanto, Kinki, Chugoku, Shikoku, and Kyushu. Following Hokuriku, Kinki is now forecast to achieve a positive index. In the demand forecast for the past two years, the outlook for early spring following the January–March period has shown a downward trend, followed by gradual recovery. In 2025, the implementation of mandatory compliance with energy-saving standards and the reduction of the No. 4 building exception under the Building Standards Act is scheduled for April. It remains to be seen how these changes will impact the market. The next demand forecast will be of particular interest.

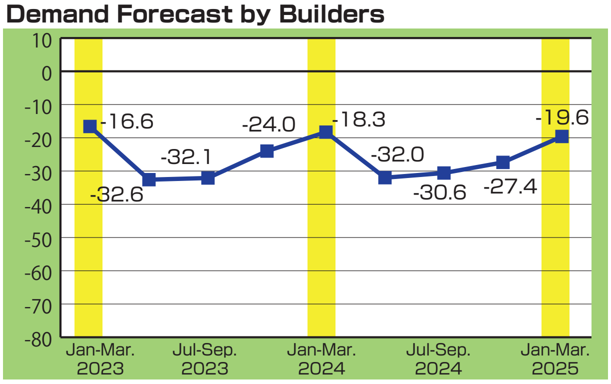
〈Sales Forecast by Leading Manufacturers〉

In most sectors, the forecasted decline has eased compared to the previous survey. Meanwhile, the housing equipment sector, which had seen forecasted growth consistently outpace decline for the third consecutive survey and resulted in positive indices, was the only sector to show an increased forecast of decline in this survey. Even the previously steady housing equipment sector warrants close attention to its future trends.

〈Various Surveys〉

Rising mortgage interest rates have affected the behavior of 60% of homebuyers, leading to increased inquiries, price negotiations, and the advancement of contract timings. The most effectively utilized housing-acquisition subsidy programs were the Eco Home Support Program for Households with Children and Young Couples, followed by the Energy-Efficient Water Heater Implementation Program. These programs have recorded the highest budget consumption rate among the 2024 energy-saving subsidy campaigns. When it comes to key points for adding value to housing construction, "housing performance" such as insulation and earthquake resistance ranked first, surpassing "specifications and equipment" and "design." The second priority was "price" in the survey.

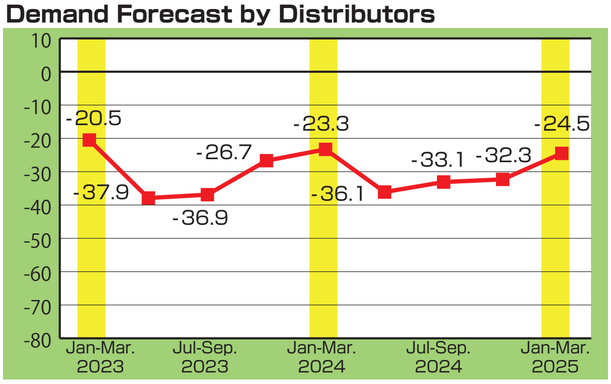
Demand Forecast by Builders



Point0=business result in April-June,1992

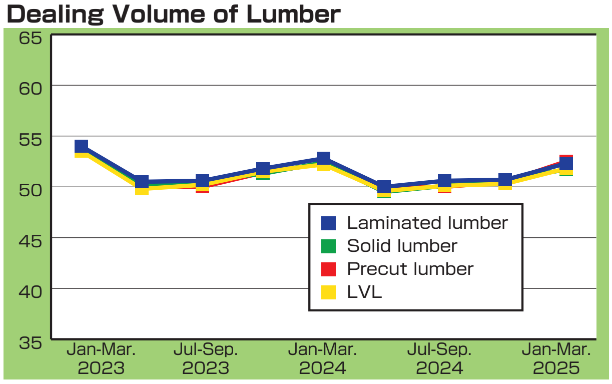
The forecast survey for January to March, 2025 is based on the totaled data gathered from 3,000 client companies in Japan through the internet, which took place from late-October to mid-November, 2024.

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 (Jan-Mar. 2025)

	increase			level-off	decrease		
	over15%	14～10%	below10%		below10%	10～14%	over15%
Plywood (12 firms)	0.0	0.0	8.3	33.3	41.7	16.7	0.0
Wooden Building Materials (15 firms)	0.0	0.0	26.7	40.0	33.3	0.0	0.0
Ceramics & Insulation (17 firms)	0.0	0.0	17.6	53.0	29.4	0.0	0.0
Housing Equipment (16 firms)	0.0	0.0	25.0	56.2	18.8	0.0	0.0
average	0.0	0.0	19.4	45.6	30.8	4.2	0.0

Trend

Market Outlook of Plywood

〈Trend of Japanese Plywood〉

Japan's production of softwood plywood in October 2024 was 222,373 cubic meters (97.9% of the same month in the previous year), and the shipments of the item 227,994 cubic meters (99.6%). The inventory was 193,326 cubic meters (118.8%).

The market for Japanese softwood plywood had been in decline despite repeated calls from manufacturers for a reset. However, in late November, an article titled "Domestic Softwood Plywood: Signs of a Bottoming Out" was published in an industry newspaper, prompting Japanese manufacturers to finally take action to halt further price declines. That said, the fact remains that the market continued to fall despite multiple statements from manufacturers. Moving forward, the question is whether they can firmly stand their ground against potential pressure from customers. The trends in supply volume and inventory levels warrant close attention going forward.

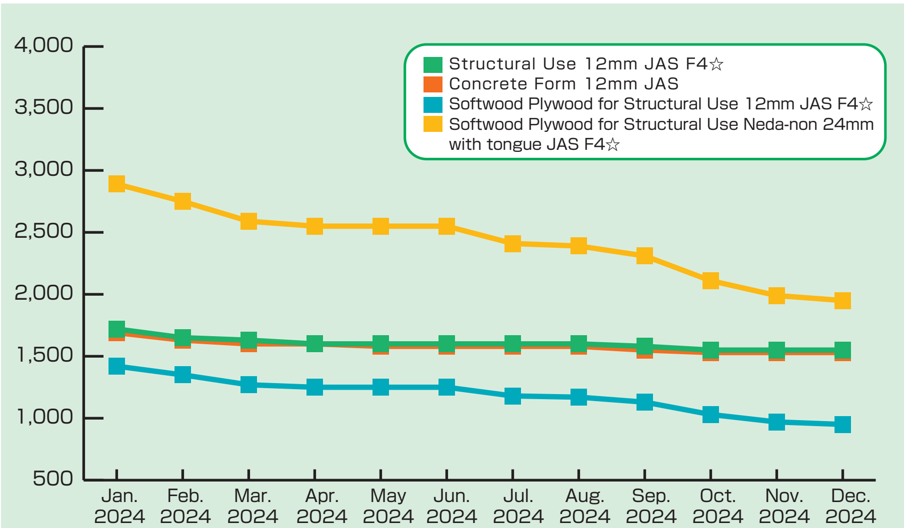
Towards the end of the year, delivery issues are worsening, with more cases where deliveries cannot be made as requested. There has been no improvement in delays in confirming delivery schedules. It is a fact that manufacturers are facing harsh conditions in terms of profitability, and prices appear to be gradually approaching rock bottom.

〈Trend of Imported Plywood〉

In October 2024, Japan's import of plywood was 177,288 cubic meters (102.1% of the same month in the previous year), which decreased 0.3% from 177,878 cubic meters marked in the previous month. By country of origin, 41,008 cubic meters (88.8% of the level from a year ago) came from Malaysia, 62,692 cubic meters (109.5%) from Indonesia, and 42,393 cubic meters (101.6%) from China.

While shipments continue to be driven primarily by purchases for only immediate use, inquiries are gradually increasing compared to before. Although there is no significant sense of a strong recovery in demand, it is believed that importers, who have so far placed minimal orders with suppliers due to the trend of spot buying, are now finally running low on inventory. Inquiries for 12-millimeter formwork plywood in particular are strong, and on the upstream side, there are signs of moves to secure physical stock in anticipation of a decline in future arrivals. With the market solidifying at the bottom and some pushing for price increases, there are now very few sellers willing to sell at discounted prices merely to generate short-term sales. For the time being, it is expected that supply and demand will remain balanced.

Wholesalers' Prices of Plywood in Tokyo yen/sheet



Topics 1

Diversity & Inclusion Along with all Generation × Gender

JK Holdings launches D&I Promotion Project "JK-DIALOG 2024"

JK Holdings has positioned the promotion of diversity and inclusion as a key initiative in its medium-term management plan. In October 2023, we established the D&I Promotion Department, which aims to advance not only surface-level diversity such as gender, nationality, age, and disabilities, but also deep-level diversity, including work experience, background, skills, values, perspectives, and beliefs.

We have launched the "JK-DIALOG 2024" project with the aim of fostering a corporate culture where all employees can fully utilize their abilities and a diverse workforce can thrive, while also enhancing employee engagement.

The project is focusing on women's empowerment in this fiscal year, and involves 20 female employees with sales experience, along with their supervisors and senior colleagues, as core members. By examining the concept of work fulfillment and identifying current challenges from a female perspective, the project seeks to uncover key insights that will help the company evolve into an organization where all employees, regardless of gender, find their work fulfilling.


Participants from all over Japan

Through this ongoing project, which will continue with evolving themes, we aim to enhance engagement and strive to become an even better company.

Topics 2 Japan Kenzai holds exhibition and sales event “Japan Kenzai Fair”

Exhibition ribbon-cutting ceremony

Japan Kenzai Co., Ltd. held the “Japan Kenzai Fair,” an exhibition and sales event, at Tokyo Big Sight on August 22 and 23, 2024. The fair attracted a total of 15,034 visitors and sales reached 31.3 billion yen, surpassing last year's figures respectively and concluding successfully.

With the theme, “ROAD to 2030, Connecting now, and to the Future,” now in its third iteration, the event proposed creating homes that enhance asset value for the future. In the main venue, the exhibits focused on the themes of high airtightness and insulation, disaster preparedness, environmental contribution, and non-residential structures. Additionally, seminars held at the venue featured prominent topics, including forest certification, legal regulations related to timber, housing-related laws, and introductions to various support measures.


Giant panels displaying disaster-related information

Introducing condensation prevention with proper insulation and airtightness

Japan Kenzai successfully provided the visitors with an excellent opportunity to reassess the environment surrounding the housing industry and experience the latest equipment and technology first-hand.

Topics 3 Timberam engages in processing and construction of playroom wing at Iwaki Junior College Kindergarten

Iwaki Junior College Kindergarten, built in Iwaki City, Fukushima Prefecture, is a single-story wooden structure. With a total floor area of 1,212 square meters, the facility is divided into two buildings: the childcare wing and the playroom wing. Timberam engaged in the material processing and construction of the playroom wing. All materials used were locally sourced from Iwaki City, consisting of 2 cubic meters of Japanese cypress and 28 cubic meters of Japanese cedar. For the connections, traditional Japanese joinery techniques were primarily employed, while fabricated metal fittings were used only in the lower chord sections, where truss materials are concentrated.


Trusses utilizing unique processing technique of Japan

The framework was complex, with small cross-sections of the components and traditional Japanese joinery used for the connections, making pre-assembly on the ground a challenging task. From the temporary planning stage, we held discussions with the scaffolding contractors using 3D data. Additionally, many of the joints required angled connections, presenting intricate shapes for processing. Despite these challenges, the contact surfaces were cleanly aligned, allowing the project to proceed with minimal on-site adjustments or processing.

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/english/