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JK Holdings  
Quarterly Report International

August, 2020

No. 59

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## Impact of the outbreak of Covid-19 and the company policies

The threat of the pandemic of Covid-19 is undiminishing, and the number of cases is showing an increasing trend in Japan since the state of emergency was lifted.

In the housing-related industry, demand is expected to gradually decrease due to structural factors including Japan's depopulation. In addition to it, companies are now coping with the rapidly changing work environment by taking measures as follows: (1) thoroughly enforce the infection prevention measures, (2) review the conventional visiting sales and face-to-face meetings, (3) avoid making crowds by adopting work from home and Zoom meetings, and (4) set new policies to maintain office efficiency.

Under the circumstances, JK Holdings Group is working on concrete measures setting "Catch the certain signs of change, Take steady moves, and Do what we can" as a guide, which



**Keiichiro Aoki**

President  
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is the theme of our group's mid-term business plan "Break-through 21".

Major policies include extension of non-housing businesses, which are represented by middle- and large-scale wooden construction, change to wooden interior and exterior, and Park-PFI (private finance initiative). Featuring the flexibility and the warmth of wood, and using our diversified processing techniques and eagerness for higher fire-resistance, we will create new demand for wooden construction and develop its new applications.

Japan Kenzai Co., Ltd., our core business, is planning to break away from the dependence on housing starts as well as stimulate and respond to the potential demand in the market. Specifically, it will prepare for becoming its customers' best partner by reorganizing the industrial materials sales structure by region, which was based on business fields with special sales departments and general distribution departments for dealers, and combining the knowledge and networks we have cultivated in our respective fields.

In the business side, it will steadily update an environment of hardware, networks, the groupware and other things. At the same time, it is developing systems which will contribute to streamline the sales sector, upgrade business activities, and make administrative tasks efficient.

# Survey

## Prospect of Business Condition for July-September

### <Demand Forecast by Builders and Distributors>

We expanded the subject to the survey to include more contractors and builders in order to investigate the economic impact of the coronavirus pandemic, and enlarged the scope of questions. The survey was conducted through the Internet. The demand forecast for July to September 2020 shows an index of minus 67.0 points among small builders (contractors and other building companies). The sharp drop is as bad as the record low of minus 77.0 points for April to June 2009 since the survey started in 1992. Among distributors, an index of minus 68.6 points is found, which

is the second lowest in the record. By region, a fall in the index is noticeable across the country. As a result, demand is expected to decline after July.

### <Survey Results on the Coronavirus Impact>

**How is the construction work affected?**  
The most common response is “delay in construction period,” followed by “out of stocks” and “cancellation of contract”. There are situations where delays as well as cancellations occur.

### What is the impact on your business activities?

Only about 20% responded that “work from home” system was implemented. Staggered working hours and taking days off have been introduced, but nearly half of the respondents do not adopt them in practice. Nearly 40% of sales activities are conducted as usual.

### What is the status of the contract?

The same tendency is observed for both new construction and remodeling projects. The overwhelming majority of the respondents answered that “the number

is decreasing”, but 25% answered “the same as usual”. For what will be postponed, the responses are mostly until “June to July” or “August to September”. Some are “longer delay until after October”.

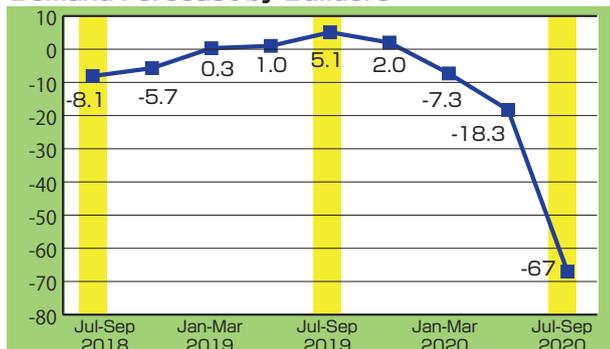
### Regarding support measures

The majority replied that they have “no plans to use” the government’s emergency aid packages, while nearly 40% is “under consideration”. The government takes a wide range of measures, including providing financial support for loans, aside from on-site backing such as easing the inspection procedures and extending the application period for the next-generation housing point system.

### <Sales Forecast by Leading Manufacturers>

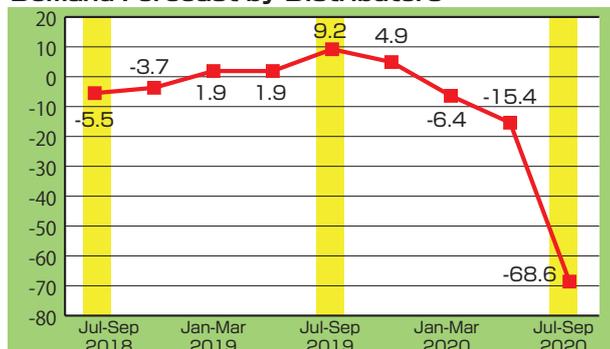
Among the sales forecast by leading manufacturers, all the sectors see zero point for growth, which is the first phenomenon ever since the survey started. It shows that the leading manufacturers have a severer view on the business than the builders and distributors do.

**Demand Forecast by Builders**



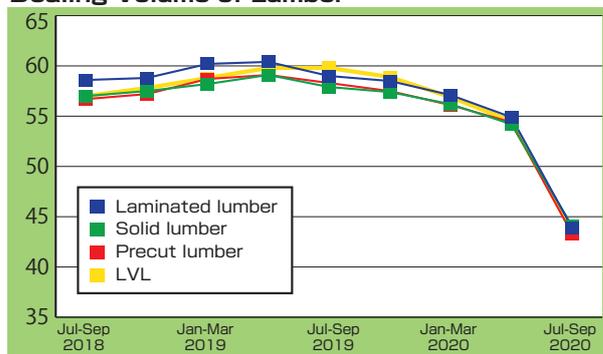
Point0=business result in April-June,1992

**Demand Forecast by Distributors**



Point0=business result in April-June,1992

**Dealing Volume of Lumber**



Point 100=all responses expect increase

The forecast survey for July to September 2020 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 2020.

### Sales Forecast by Major Supplying Manufacturers (Jul-Sep 2020)

|                                     | increase |          |           | level-off | decrease  |          |          |
|-------------------------------------|----------|----------|-----------|-----------|-----------|----------|----------|
|                                     | over 15% | 14 ~ 10% | below 10% |           | below 10% | 10 ~ 14% | over 15% |
| Plywood (13firms)                   | 0.0      | 0.0      | 0.0       | 4.0       | 31.1      | 41.9     | 23.0     |
| Wooden Building Materials (10firms) | 0.0      | 0.0      | 0.0       | 1.8       | 1.8       | 10.7     | 85.7     |
| Ceramic/Heat Insulation (15firms)   | 0.0      | 0.0      | 0.0       | 1.4       | 29.2      | 48.6     | 20.8     |
| House Equipments (9firms)           | 0.0      | 0.0      | 0.0       | 22.8      | 27.1      | 6.3      | 43.8     |
| average                             | 0.0      | 0.0      | 0.0       | 7.5       | 22.3      | 26.9     | 43.3     |

## Trend

### Market Outlook of Plywood

#### <Trend of Domestic Plywood>

Japan's production of softwood plywood was 215,900 cubic meters in May 2020 (84.4% of the result in the same month of the previous year), and shipments were 211,500 cubic meters (80.1%). Inventories increased to 178,700 cubic meters (134.2%). The impact of the COVID-19 pandemic has been profound, showing in the continuing suspension of on-site work and production cutbacks by the manufacturers.

Due to the sluggish market, almost all domestic plywood manufacturers have already announced that they are cutting production until August. The reduction in supply volume may continue after August, depending on future market conditions. We hope demand will recover as soon as possible.

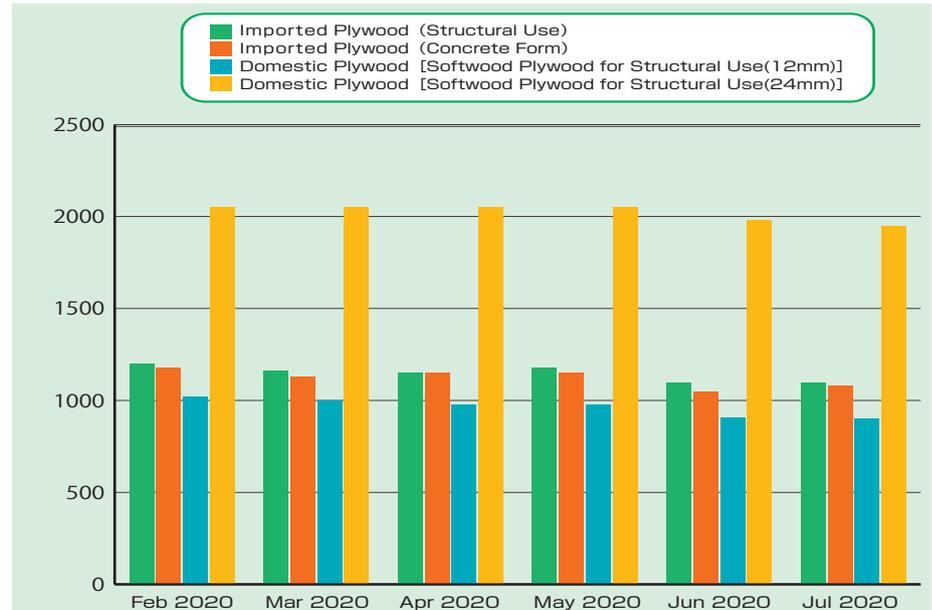
#### <Trend of Imported Plywood>

Arrivals of imported plywood in Japan were 204,332 cubic meters in May 2020 (109.4% of the result in the same month of the previous year). By country of origin, those from Malaysia saw 69,900 cubic meters (109.7%), those from Indonesia 69,900 cubic meters (121.5%), and those from China 47,000 cubic meters (90.8%).

The market is as sluggish as domestic plywood, and spot purchases are continuing. Naturally, the amount of new orders from Japan placed to the producing regions is declining, and arrivals are expected to decrease in the future. Given the cooling of demand, it will take a little more time to restore the supply-demand balance.

Wholesalers' Prices of Plywood in Tokyo

yen/sheet



## Topics

### Butsurin's park management business showing good performance

Timber Scape Co., Ltd., a subsidiary company 100% owned by Butsurin Co. Ltd., is promoting a business where the public greening & landscaping business and the wooden construction business are united, centering on two axes of the wooden construction department specializes in change to wood construction & wood use and the park management department. On Toyosu Gururi Park, which is managed by Toyosu Park Management JV, Timber Scape is designated to perform the administrative operation of the 19.7ha park for 10 years.

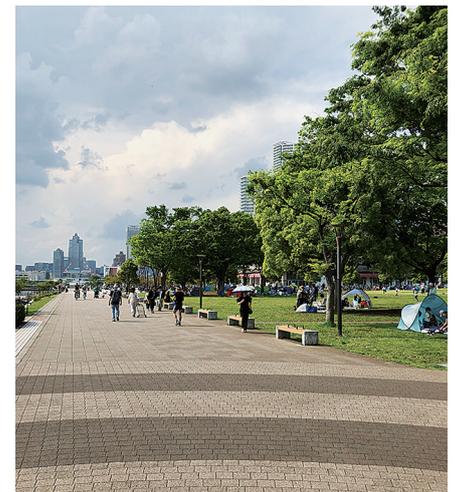
Timber Scape is engaged in practical work from maintenance of the green spaces to construction of a large-scale

wooden restaurant "Park Restaurant" (tentative name). In the coming three years, it is going to build wooden facilities such as a park management office, a gymnasium, and a barbecue house. In



TIMBER SCAPE

addition to Toyosu, the company is doing construction of facilities related to the Olympics, as well as the installation of signboards and the maintenance of parks and green spaces in urban areas.



## Company JK Holdings Expanded the Group

The JK Holdings Group consolidated three companies in May to July 2020. The move is aimed at boosting synergies among the group's businesses.

### 1. Yotutuzi Seizai Co., Ltd.

**Founded:** 1976

**Sales:** 762 million yen

**President and CEO:** Yotutuzi Norihiko

**Business Profile:** Sales of home equipment, plywood, and interior building materials mainly in Kyoto City and Nagaokakyo City



### 2. Idashouzi Co., Ltd.

**Founded:** 1951

**Sales:** 436 million yen

**President & CEO:** Miyamoto Hironobu

**Business Profile:** Long-established plywood wholesaler engaged in processing and sales of plywood, various fiber boards, and cut processing



### 3. Kyoto Itagarasu Co., Ltd.

**Founded:** 1950

**Sales:** 1.59 billion yen

**President & CEO:** Yanase Tomoyuki

**Business Profile:** Wholesale and construction of building glass and window sashes mainly in Kyoto Prefecture



It is a challenge to work on new businesses and new merchandise, while housing starts are decreasing. We look forward to seeing how the businesses of the three companies who are active especially in the Kansai region and the JKHD Group will merge and grow.



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