



# Bulls

JK Holdings  
Quarterly Report International

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July, 2018

No. 51

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## The Overview of Consolidated Financial Results for JK Holdings for the Fiscal Year Ended March, 2018 (April 1, 2017 – March 31, 2018)

**Keiichiro Aoki**  
President  
JK holdings Co.,Ltd.



The number of new housing starts in 2017 came to 946,300 units (decreased by 2.8% from the previous fiscal year), and the number of new housing starts for owner-occupied house, our main markets also decreased to 282,100 units (decreased by 3.3%). In such a business environment, we have enhanced sales of lumber and pre-cut in the basic materials sector, and have tackled expansion of sales to strengthen sales and improve profits in the sector of Bulls and J-GREEN (Legal Wood Material), which are our private brands. Concerning the building materials and housing equipment, we have undertaken functional enhancement of the engineering business to promote sales and improve profitability. As a result, the

consolidated financial results for fiscal year ended March 2018 showed net sales of 346.137 billion yen (1.8% increase compared to the previous fiscal year), operating profit of 5.003 billion yen (8.9% increase), ordinary income of 4.839 billion yen (10.8% increase), and the net income for the year was 2.877 billion yen (3.1% increase) that were attributable to the parent company shareholders.

Our annual targets for the fiscal year ending in March 2019 (April 1, 2018 – March 31, 2019) shows net sales of 350 billion yen, operating profit of 5.2 billion yen, ordinary income of 5.0 billion yen and current net income of 3.0 billion yen that are attributable to the parent company shareholders.

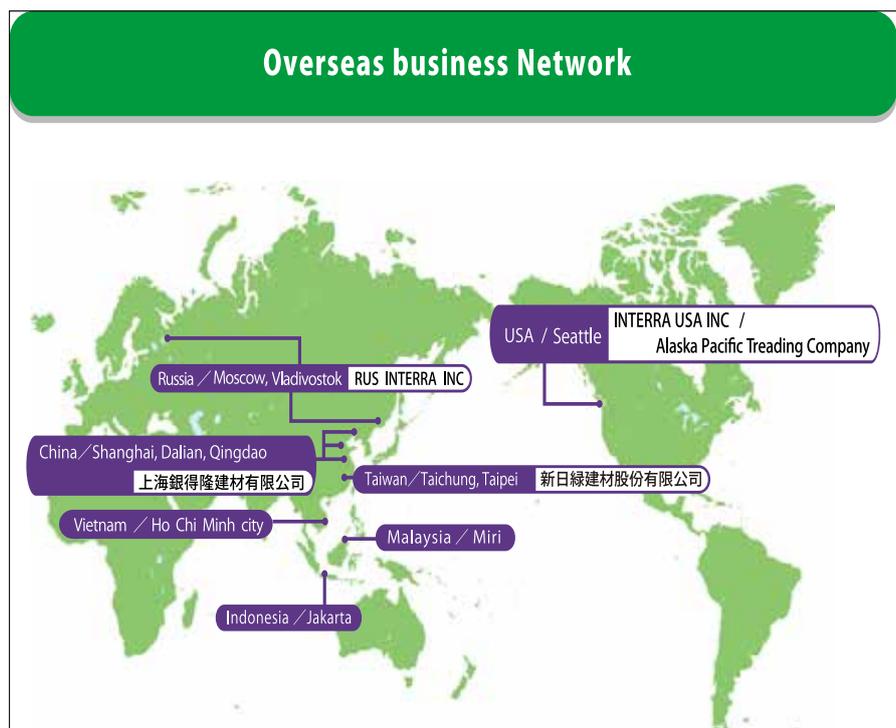
## Company

### Expansion of Overseas Business

JK Holdings has 11 business bases in 7 countries, aiming for providing high quality building materials that are friendly to the environment and human. We have expanded to Moscow (Russia), Jakarta (Indonesia), and Taipei (Taiwan) in 2017, and we are planning to advance to Portland in the U.S. and Singapore in July 2018.

Currently the annual sales volume of the overseas business as a whole is about 3 billion yen.

### Overseas business Network



# Survey

## Prospect of Business Condition for July-September

### <Demand Forecast by Builders and Distributors>

Demand forecasts for July-September 2018 were made by builders and distributors. According to the results, builders' demand forecast recovered from -9.1 points in the previous survey (April-June) to -8.1 points and distributors' figure also rallied from -9.1 points to -5.5 points. Compared with the same term in the previous year, distributors do a rise of 0.8 points and builders do a drop of 1.1 points, which vary but show that housing demand seems to be slightly upward.

Analyzing the results by area, those which expect "The demand

increase" are three including Kinki, Shikoku, and Kyushu areas among builders, and four including Kinki, Shikoku, Kyushu, and Chugoku areas among distributors. More demand is expected in the western part of Japan as it has been before.

According to the figures released by the Ministry of Land, Infrastructure, Transport and Tourism, total housing starts for fiscal 2017 (April 2017 - March 2018) were 946,000 units (97.2% of those in the previous year). By use, those of owners occupied houses was 96.7% of those in the previous year, rental houses 96.0%, and built-for-sale houses 99.7%, showing a downward turn in the rental home sector which had been registering double-digit growth. In contrast, detached houses in the built-for-sale sector remained steady at 102.3% of the previous fiscal year's result.

### <Sales Forecast by Main Manufacturers>

According to sales forecasts by main manufacturers, the number of answer with "the sales will increase" grew significantly compared with the previous term in manufacturers of wooden building material. On the contrary, those who

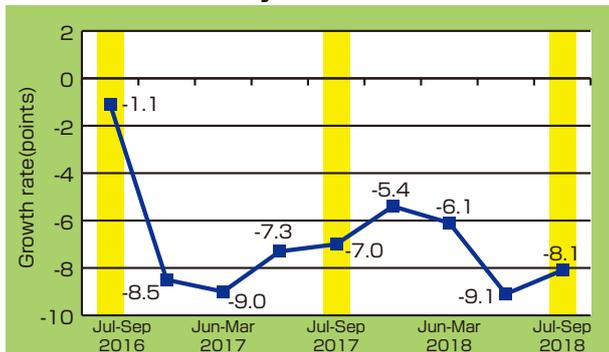
answered the sales "decrease" remained with a large portion, showing that market uncertainty is growing. The reason for more forecasts on downward sales of housing equipment could be attributed to the remodeling market which might have entered a lull for seasonal factors. In general those who predicted "the sales will shrink" are more than those who predicted "the sales will expand". As much as 75% of the manufacturers forecasted sales of plywood to be the same as the previous year, showing that stable sales are expected.

### <Current States of Remodeling Business>

More businesses answered that the unit price of remodeling per house is in an upward trend, although the number of remodeled houses has reduced slightly. The remodeling demand is expected to grow due to the governmental policy promoting vacant house countermeasures, but it is necessary to pay attention to users' needs, tastes, and way of living because home remodeling and renovation business is directly connected to consumers. In the remodeling and renovation sector, home centers and internet sales compete with sales with general distribution route.

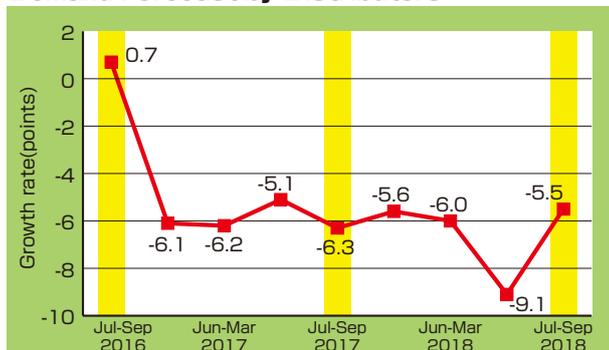
\*The forecast (for July-September 2018) is the totaled results of the data gathered from 3,000 client companies in Japan through interviews which took place from late-April to mid-May in 2018.

**Demand Forecast by Builders**



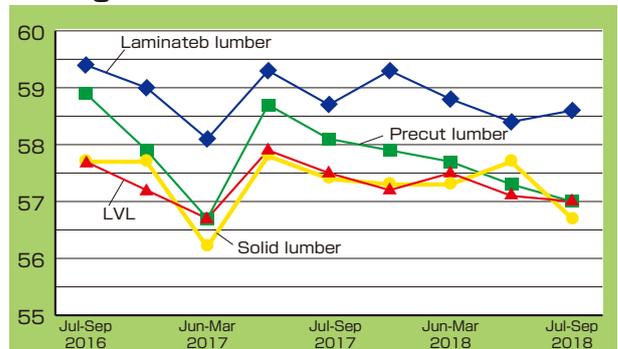
Point 0 = business result in April-June, 1992

**Demand Forecast by Distributors**



Point 0 = business result in April-June, 1992

**Dealing volume of Lumber**



Point 100 = all responses expect increase

**Sales Forecast by Major Supplying Manufacturers (Jul-Sep 2018)**

	increase			level-off	decrease		
	over 15%	14 ~ 10%	below 10%		below 10%	10 ~ 14%	over 15%
Plywood (13firms)	0.0	0.0	14.5	75.0	10.5	0.0	0.0
Wooden Building Materials (10firms)	0.0	0.0	23.8	34.9	27.5	10.0	3.8
Ceramic Building Materials (15firms)	0.0	0.8	20.8	54.3	23.3	0.8	0.0
House Equipments (9firms)	0.0	0.0	18.1	56.9	25.0	0.0	0.0
average	0.0	0.2	19.3	55.3	21.6	2.7	0.9

## Trend

### Market Outlook of Plywood

#### <Housing Starts and Market Trend>

Housing starts in May 2018 numbered 79,539 units, 98.6% of the year-ago result, and the total figure for April and May was 163,765 units, 99.2%.

It was predicted that shipments of both Japanese and imported plywood would become active after the Golden Week Holidays in early-May, but those in the general distribution route ended up in remaining dull until the rainy season started. However, the end of the rainy season came earlier than expected this year, which puts the industries concerned to expect a brisk housing market for the summer. The plywood market prices remain unchanged.

#### <Trend of Japanese plywood>

Japanese softwood plywood production in May 2018 was 251,743 cubic meters, 103.6% of the result in the same month of the previous year, while shipments were 240,609 cubic meters. The stock was 141,122 cubic meters, recording the largest for the last couple years.

Japanese plywood manufacturers have been working on developing a wider range of items to produce, mainly structural plywood. They commented on the larger inventories, which should be maintained to some extent in order to prepare for emergency demands such cases as earthquake disasters. The manufacturers have not compromised their firm attitude in terms of their prices.

#### <Trend of Imported plywood>

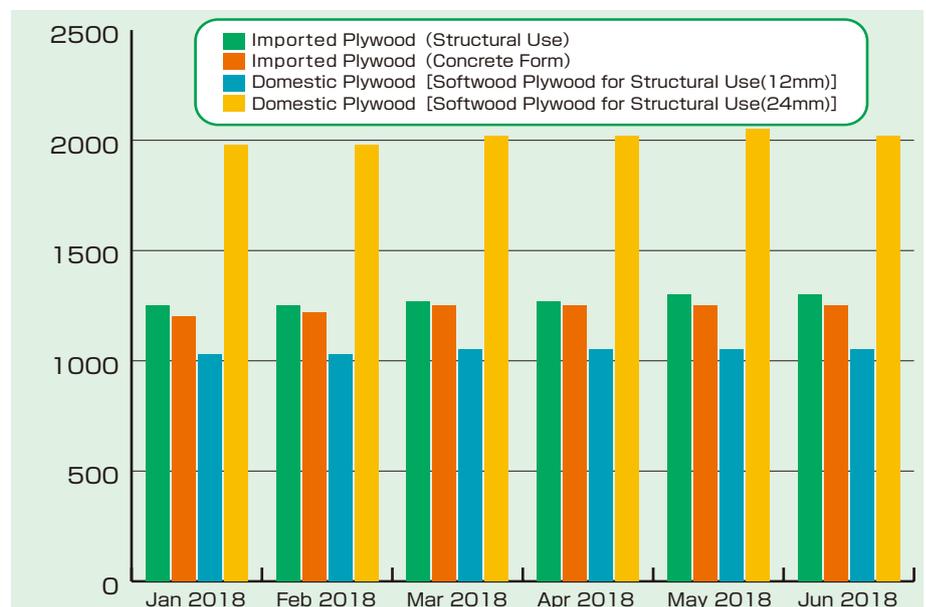
Imported plywood arrivals in May 2018 were 275,711 cubic meters, 107% of the result in the

same month of the previous year. Looking at the arrivals by country of origin, 96,862 cubic meters were from Malaysia (95% of the year-ago results) , 90,928 cubic meters from Indonesia (111%) , and 66,145 cubic meters from China (114%) .

Port inventories of imported plywood are in a growing trend. There are large stocks in some items, whereas a few in some others. The item balance has been worse. The costs for imported plywood continue to rise, showing larger separation from the Japanese market prices.

#### Wholesalers' Prices of Plywood in Tokyo

yen/sheet



## Company

### Okhotsk Woodpia Enhances CLT Production

Okhotsk Woodpia, a cooperative association (Kitami City Hokkaido, Director: Masayuki Nakahara) , is increasing the supply of laminated lumber such as large dimension structural laminated lumber of larch for non-housing field including wooden facilities in and out of the prefecture, in addition to houses in the prefecture. It obtained JAS certificate for its CLT in 2017 and prepared systems for supplying CLT. In Hokkaido, medium dimension laminated lumber is increasingly used for nursing homes and nursery schools

since the number of construction of large scale wooden buildings has decreased. The area's demand for laminated lumber in 2018 is expected to be the same level as

the previous year. The association is planning to actively promote the use of CLT by enhancing the production of the item.



## Topics

### Japan Kenzai Proceeding Construction of the National Stadium's Big Roof

Japan Kenzai Co., Ltd. has been engaged in the construction of the National Stadium's big roof since January 2018. It is the truss structure combining cedar and larch laminated lumber with steel. The stadium will become a place where all the audience can feel the warmth of wood. The wood used there is all forest-certified.

The roof truss is mainly made up with steel frames, and they are combined with lumber to prevent deformity caused by earthquakes and strong winds. Wooden members are used inside the roof, which is not directly exposed to rain, and their durability is improved with pressure-injected preserving treatment. The main structure is planned not to require a large-scale renovation for 100

### JK Wooden Structure-Lignification Group NEWS (JK Timber Engineering Group)



Truss (structure) can be found in a number of buildings. JKHD Group's KEYTEC plant is a truss structure.



years. On the other hand, to make the stadium long life, its design is daily-maintenance-conscious, securing access routes for check out.

President Ogawa of Japan Kenzai shows enthusiasms for the project by saying, "Through this project, we want to convey the attractiveness of Japanese wood

and the technology of Japanese construction to the world. We would also like to contribute to create a recycling-oriented society that makes use of appropriately managed forest resources, by increasing wooden buildings in both housing and non-housing construction with a total power of Japan Kenzai and JK's group companies."

### Kamaishi Civic Hall "TETTO" by KEYTEC Co., Ltd.

As a replacement to the former Kamaishi City Cultural Center (Iwate Prefecture), which had been struck by the Great East Japan Earthquake in March 2011, Kamaishi Civic Hall "TETTO" has been constructed. Plenty of KEYTEC's LVL is used for the hall's interior. The amount of LVL is 90 m<sup>3</sup> and the figure is the highest record among the company's interior works. The areas LVL was furnished are part of the ceilings and the walls. The curved walls, which were specially ordered, is highly evaluated by experts because the sound is reflected equally to any seat of



the auditorium. For the citizens, the hall is an oasis where they are

expected to become more familiar with various arts.



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