



# Bulls

JK Holdings  
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## Overview of the Financial Results for JKHD for the Second Quarter of the Fiscal Year Ending in March, 2019

**Keiichiro Aoki**

President  
JK Holdings Co., Ltd.



Housing Starts totaled in 491,400 units (a decline of 1.1% from the same period of the previous year) for the second quarter of the fiscal year. Housing Starts for owner-occupied, which are our main markets, slightly decreased by 1.2% from the same period of the previous year to 146,400 units.

In this type of business environment, we have enhanced sales of lumber and precut in the basic materials sector and have tackled expansion of sales to strengthen and improve profits in the sector of Bulls and J-GREEN items, which are our private brands. Concerning the building materials and housing equipment, entire sections of our group have worked on functional enhancements of engineering business to promote sales and improve profitability of the overall building materials business in accordance

with receiving orders for materials and work from distribution, remodeling, and non-residential buildings markets.

As a result, the net sales increased to 172,585 billion yen (2.0% increase compared to the same period of the previous year), the operating profit saw 2,332 billion yen (11.9% decrease), and the ordinary income found 2,208 billion yen (16.5% decrease). The current net income for the quarter that is attributable to the parent company shareholders was 1,167 billion yen (22.0% decrease).

Our annual targets for the fiscal year ending March 2019 show a 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 is attributable to the parent company shareholders.

## Company

### KEYTEC's Construction of their Yamanashi Plant

KEYTEC Co., Ltd. has announced the outline of KEYTEC Yamanashi Plant which is scheduled to be completed in March 2019 and the progress of the construction. The site area of the new factory is about 22,000 tsubo, and a timber yard with a capacity of 20,000 cubic meters for logs is prepared on the premises to start storing logs from April 2019. The material logs will be procured from nearby prefectures, mainly of Japanese larch, red pine, and Japanese cedar from Yamanashi Prefecture. The consumption of material logs is expected to be 120,000 cubic meters per year. The Yamanashi Plant will accept 2-meter and 4-meter logs with a diameter of 14 centimeters or more at the cut end, since it requires 1.5 times the amount of logs that the Kisarazu Plant does. The new plant can deal with



rather large-diameter logs up to 60 centimeters. It is planned to output 68,400 cubic meters of softwood plywood annually, which is 3.42 million sheets of 12-millimeter thick of 3 x 6 size equivalent.

# Survey

## Prospect of Business Condition for January-March

### <Forecast of Demands by Builders and Distributors>

According to a recently published report, builders' demand forecast for January-March 2019 increased from minus 5.7 points in the previous research (for October-December 2018) to plus 0.3 points and distributors' forecast increased from minus 3.7 points to plus 1.9 points, both of which turned to positive for the first time in about three years since the research for April-June 2016. April-June 2016 was the period where the market was recovering from slackness caused by a consumption tax increase (from

5% to 8%). January-March 2019 is just before another consumption tax increase (from 8% to 10%), where the market will begin to be conscious of last-minute demand. Analyzing the results by area, both builders and distributors predicted that the demand in western Japan including the areas of Chubu, Kinki, Chugoku, Shikoku and Kyushu will increase, which showed almost the same tendency as housing starts in September. The reason is probably that reconstruction of houses and non-residential buildings which were repeatedly hit by natural disasters, have begun to gain momentum in western Japan. The declining birthrate, aging population, inheritance problem, unoccupied house problem, energy saving measures and the environment surrounding the industry are unchanged. We will

showed a sharp decline in forecasts for declining in the ceramic and thermal insulation field, with an increase prediction of 35%. Plywood and residential equipments account for more than half of the previous year's forecasts, but wooden building materials are predicted to increase and predicted to decrease by 35% each. Wood (solid lumber, laminated wood, LVL, precut) are all predicted to increase sales.

### <Current Status of Remodeling Business>

The remodeling and renovation business were prospected to be moving upward all over Japan. By area, replies from all districts excluding the Hokuriku area said, 'the business will be brisk'. The number of low-budgeted business is slightly increasing, which may be showing the sign of last-minute demand. To the questionnaire concerning last-minute demand, majority of the answers said, 'the situation will remain the same', but in the next research (for April-June), the result may show some changes.

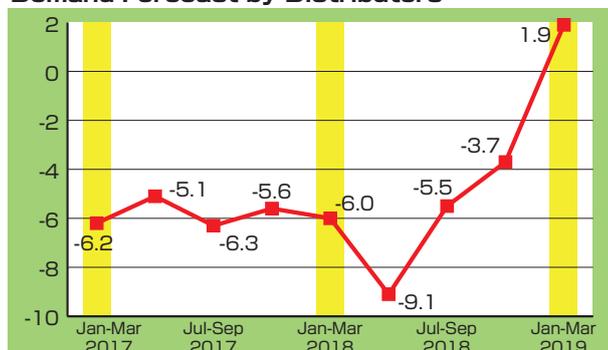
This forecast (for January-March 2019) is based on the totaled data gathered from 3,000 client companies in Japan through interviews which took place from late October to mid-November 2018.

**Demand Forecast by Builders**



Point0=business result in April-June, 1992

**Demand Forecast by Distributors**



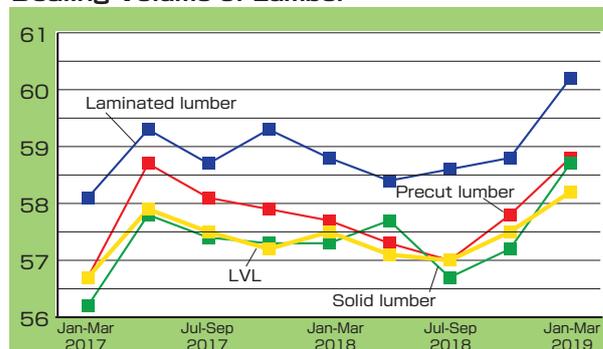
Point0=business result in April-June, 1992

be watching how clearly the peak of last-minute demand will be in the next market research.

### <Sales Forecast by Leading Manufacturers>

Sales forecasts by major manufacturers

**Dealing Volume of Lumber**



Point 100=all responses expect increase

### Sales Forecast by Major Supplying Manufacturers (Jan-Mar 2019)

	increase			level-off	decrease		
	over15%	14 ~ 10%	below10%		below10%	10 ~ 14%	over15%
Plywood (13firms)	0.0	0.0	21.8	59.0	19.2	0.0	0.0
Wooden Building Materials (10firms)	0.0	1.3	33.8	29.8	26.3	6.3	2.5
Ceramic/Heat Insulation (15firms)	0.0	1.8	33.0	51.8	13.4	0.0	0.0
House Equipments (9firms)	0.0	1.4	25.0	47.2	26.4	0.0	0.0
average	0.0	1.1	28.4	47.0	21.3	1.6	0.6

## Trend

### Market Outlook of Plywood

#### <Trends in new construction starts>

The number of new housing starts started in October 2018 was 83,330 (100.7% compared to the same period of the previous year), and the cumulative number of new housing starts in January to October was 779,793 (97.1% compared to the same period of the previous year).

#### <Trends of Japanese domestically produced plywood>

The domestic coniferous plywood production volume in October 2018 was 263,500 cubic meters (98.4% compared with the same period last year), the shipment amount was 279,600 cubic meters (102.4% compared to the same period last year). As shipment volumes increased, production volumes fell slightly, so the inventory amounted to 163,200 cubic meters, turning to decrease for the first time in nine months.

It's the highest record on shipment volume, and the supply volume of non-structural plywood is steadily increasing.

As Southeast Asian materials are

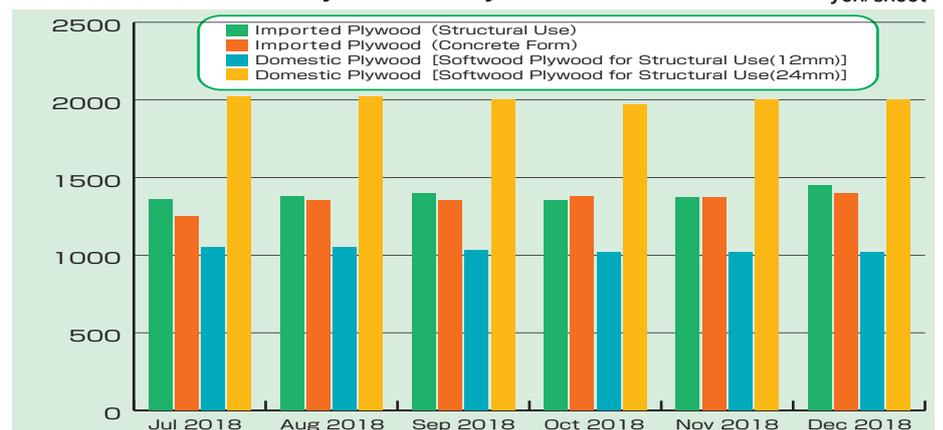
rising, demand for floor baseboards and plywood for concrete-form has become obvious and we expect to be on an upward trend. Regarding plywood for structural use movement has been slow due to various natural disasters and labor shortages, but has started to move and it is expected that strong demand will continue in the year. By the end of the year there is also the possibility that it will develop to a situation of shortage due to lack of truck transportation.

#### <Trend of Imported plywood>

The amount of imported plywood in October 2018 was 276,000 cubic meters (119.2% compared with the same period last year). Due to the typhoon that hit the Japanese archipelagos in September, effected

the quantity which was expected to arrive in September and it was shifted to October and was dramatically increased. Looking at the arrivals by country of origin, 110,055 cubic meters (125.5% compared to the same period of the previous year) from Malaysia, 84,800 cubic meters from Indonesia (116.6% compared with the same period of the previous year), 55,500 cubic meters in China (101.5% compared with the same period last year). However, the items are not overflowing in the market, as the arrivals in September were extremely small. It is expected the gradual rise in the domestic market prices will keep going, while shipments are vigorous as firm housing starts to continue.

Wholesalers' Prices of Plywood in Tokyo



## Event

### 6<sup>th</sup> annual Plywood Day was held

The ceremony for the 6th annual "Plywood Day" took place in Shinkiba tower on November 2nd, 2018. 250 participants gathered from lumber, plywood, and other companies and organization.

Mr. Fumio Kamiya, Chief Technical Officer of the Seihoku Corporation was awarded as a "person of merit" and received an award from the Director General of Forestry Agency.

He worked for the Forestry and Forest Products Research Institute, where he studied how to use plywood in frame construction that can satisfy seismic performance, and to use plywood in large-



scale wooden buildings. After the Southern Hyogo Prefecture Earthquake, there was a growing momentum to address the earthquake resistance of buildings. At the request of the Structural Plywood Promotion Association of the Tokyo Plywood Manufacturers' Association (formally known as the KP Group), he developed a construction method that uses 24mm and 28mm thick structural plywood for floor without joists.

Additionally, he did extensive lobbying for it to be permitted by building regulations as well as promoted it across Japan. After he retired from the Forestry and Forest Products Research Institute, he became a member of a plywood manufacturer, and continued to develop products and technologies for structural plywood at the Tokyo Plywood Manufacturers' Association and Japan Plywood Manufacturers' Association and shared the results.

Owing to these activities, demand for softwood structural plywood increased steadily and production of domestic plywood exceeded 3,200,000 cubic meters in 2017. Mr. Kamiya is also praised for his contribution to the increasing demand of Japanese timber by developing products.

## Company Efforts made by JK Timber Engineering Group

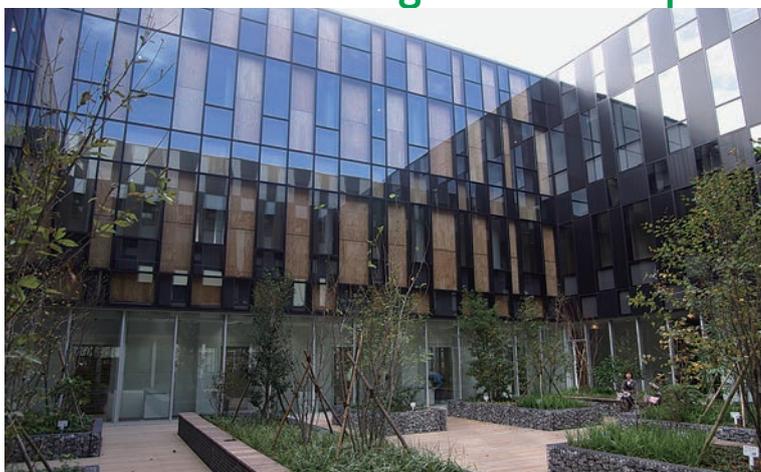
The JK Timber Engineering Group along with the JK Holdings Group and six of its subsidiaries (Japan Kenzai Co. Ltd., Akita Glulam Co. Ltd., KEYTEC, Meirin Co. Ltd., Miyamori Co. Ltd., Butsurin Co. Ltd.) have been promoting the utilization of wood for middle and large-scale wooden buildings and interiors. These companies' cooperative efforts have led to rapid growth since 2015 and are expected to reach 4 billion yen in 2019.

One big advantage point is its "Comprehensive Strength". The collaboration of six company's strength, sharing information and technologies has helped it establish a total system from structural

design to execution of management of the building frame. This allows us to handle project in a quick manner.

In Japan, there is an increasing amount of momentum towards utilizing lumber as a material for new construction other than residential housing, because the distribution amount of lumber has increased in line with state policies and lumber's fire-resistance has improved as well. In addition, the industry's needs have shifted from steel to lumber due to steel's increased pricing. JK Timber Engineering Group will keep growing.

### Eastern Saitama Regional Development Center "Fureai Cube"



Wooden structural members: laminated lumber and LVL

Eastern Saitama Regional Development Center "Fureai Cube" is a complex facility constructed by a joint project between the Saitama Prefectural Office and the Kasukabe City Office for promotion of industries as well as activities and interaction of local residents. As a cutting-edge model of CO2 reduction, it leads the public facility sector for the future, aiming to be a symbol of attractive community development where people and nature are close together.

### Chichibu Kodomo-En (Early Childhood Education and Care Center)



Wooden structural members: Japanese larch structural laminated lumber and structural plywood of Japanese softwood

The school building is designed based on the intention of the principal who wants to provide early childhood education at a facility surrounded by wooden materials that bring friendly and comfortable atmosphere. For the interior, adopted are wooden sash as well as wooden furniture and fittings. Exposed wooden walls are used for the exterior.



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