

August 2, 2021

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2022 [Japanese Standards] (Consolidated)

Company name: FJ Next Co., Ltd. Stock listing: Tokyo Stock Exchange
 Securities code: 8935 URL: <https://www.fjnext.com>
 Representative: Atsushi Nagai, President and CEO TEL: +81-3-6733-7711
 Inquiries: Tatsumi Yamamoto, Executive officer / Headquarters, Administration Division
 Date of filing of quarterly report: August 4, 2021 Date of commencement of dividend payment: —
 The supplementary explanation document for the first-quarter of accounts is created. No
 The briefing for the first-quarter of accounts is held. No

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Quarter of Fiscal Year Ending March 31, 2022 (From April 1, 2021 to June 30, 2021)

(1) Consolidated Operating Results (Cumulative)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q/ FY ending March 31, 2022	18,303	49.3	1,633	91.8	1,633	97.5	1,108	115.4
1Q/ FY ended March 31, 2021	12,256	(44.9)	851	(68.3)	827	(69.4)	514	(71.7)

(Note)

Comprehensive income:

1Q/ FY ending March 31, 2022: ¥1,117 million (117.9%)

1Q/ FY ended March 31, 2021: ¥512 million (-72.0%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
1Q/ FY ending March 31, 2022	33.91	—
1Q/ FY ended March 31, 2021	15.74	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2021	84,638	54,484	64.4	1,666.93
As of March 31, 2021	84,375	53,869	63.8	1,648.14

(Reference)

Shareholders' equity:

As of June 30, 2021: ¥54,484 million

As of March 31, 2021: ¥53,869 million

2. Dividends

	Dividends Per Share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual
	Yen	Yen	Yen	Yen	Yen
FY ended March 31, 2021	—	22.00	—	22.00	44.00
FY ending March 31, 2022	—				
FY ending March 31, 2022 (Forecast)		24.00	—	24.00	48.00

(Note) Revision to the latest forecast of dividends: No

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(% figures represent year-on-year increase or decrease)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company		Net Income Per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	81,000	11.0	8,000	8.8	8,000	9.1	5,500	10.4	168.27

(Note) Revision of forecasts on the consolidated operating results: No

*Notes

(1) Changes in major subsidiaries during this three-month period ended June 30, 2021 (changes in specific subsidiaries affecting the scope of consolidation): No

New: — (Company name: —), Excluded: — (Company name: —)

(2) Application of accounting methods specific to the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting principles, changes in accounting estimates and restatements

1) Changes due to revisions to accounting standards, etc.: Yes

2) Changes other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury stock)

Three months ended June 30, 2021	34,646,500 shares	FY ended March 31, 2021	34,646,500 shares
Three months ended June 30, 2021	1,961,157 shares	FY ended March 31, 2021	1,961,157 shares
Three months ended June 30, 2021	32,685,343 shares	Three months ended June 30, 2020	32,685,343 shares

2) Amount of treasury stock at term-end

3) Amount of average stock during term (Quarter accumulation)

* This quarterly summary of consolidated financial results is excluded from the quarterly review by a certified public accountant or audit corporations.

* Explanation and other special notes regarding the appropriate use of the earnings forecast (Notes on forward-looking statements)

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.

Table of Contents of the appendix

1. Qualitative Information Regarding the Consolidated Financial Results in the First Quarter	- 2 -
(1) Explanation of Operating Results.....	- 2 -
(2) Explanation of Financial Position	- 3 -
(3) Explanation of Future Forecasts Such as the Forecast of Consolidated Operating Results	- 3 -
2. Consolidated Financial Statements and Important Notes	- 4 -
(1) Consolidated Balance Sheets in the First Quarter	- 4 -
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	- 6 -
Quarterly Consolidated Statement of Income	- 6 -
(For the Three-Month Consolidation Period).....	- 6 -
Quarterly Consolidated Statement of Comprehensive Income	- 7 -
(For the Three-Month Consolidation Period).....	- 7 -
(3) Notes Regarding Quarterly Consolidated Financial Statements	- 8 -
(Notes Regarding Going Concern).....	- 8 -
(Changes to the Scope of Consolidation and Application of the Equity Method)	- 8 -
(Changes in Accounting Policies).....	- 8 -
(Notes in Event of Significant Changes in Shareholders' Equity)	- 8 -
(Segment Information)	- 9 -

1. Qualitative Information Regarding the Consolidated Financial Results in the First Quarter

(1) Explanation of Operating Results

During this three-month consolidation period (1Q for the fiscal year ending March 31, 2022), extremely tough conditions continued in the Japanese economy due to the spread of COVID-19. Although trends towards recovery can be seen in some areas due to the effect of various measures by the Japanese government and the recovery of overseas economies, it is necessary to continue to focus on the impact of factors such as the spread of COVID-19 in Japan and overseas, as well as fluctuations in the financial capital market.

Regarding the condominium marketplace in the Tokyo metropolitan area, the number of new condominiums offered in the Tokyo metropolitan area in the first half of 2021 (from January to June) increased by 77.3% from the same period last year to 13,277 units. This is the first time in three years (since 2018) that the number of new condominiums offered in the first half increased. Also, the average ratio of the first month contracts consummated during the same period was 72.5%; that is, above 70%, which is said to be a rough indication of good sales performance. This indicates that the market is headed towards improvement from the adjustment phase (according to a survey by Real Estate Economic Institute Co., LTD.).

In the market for investment-type condominiums which compose our corporate group's main business area, lease demand remained strong in the Tokyo metropolitan area centering on singles. Purchase demand for investment-type condominiums is solid, supported by low interest rates and by increasing recognition as income-earning properties that can be expected to provide steady earnings. However, we must remain vigilant in terms of watching the long-term effects of COVID-19.

Under this business environment, our corporate group has been striving to enhance the customer support system, strengthen our brand name and expand the development and sales of the "Gala Condominium series" which provide various advantages for asset management mainly in the Tokyo metropolitan area, and "Gala Residence series" which are condominiums designed for families under our own brand. Furthermore, we are fully committed to improving the value of the corporate group. Additionally, in spite of the continuing impacts of the COVID-19 pandemic, we have worked to promote our business while implementing various measures to prevent the spread of infectious diseases such as utilization of IT for handling of important explanatory meetings, web seminars, and other sales functions without meeting in person.

As a result, net sales were ¥18,303 million (an increase of 49.3% compared with the same period last year), operating income amounted ¥1,633 million (an increase of 91.8% compared with the same period last year), and ordinary income was ¥1,633 million (an increase of 97.5% compared with the same period last year). Furthermore, net income attributable to shareholders of parental company totaled ¥1,108 million (an increase of 115.4% compared with the same period last year).

The operating results for each business segment are as follows:

(Real estate development segment)

During the consolidated cumulative first quarter under review, we focused on the sales of new properties such as Gala Parkside Kiba, Gala Shin-Yokohama Grand Stage, and Gala Residence Yokohama Kami-Ooka, and also actively conducted sales of pre-owned condominiums.

As a result, net sales were ¥8,809 million for newly built condominiums (336 units), ¥5,086 million for pre-owned condominiums (208 units), and ¥1,888 million from other income sources. Therefore, the total net sales in the segment reached ¥15,784 million (an increase of 58.6% compared with the same period last year) and the segment profit was ¥1,259 million (an increase of 114.7% compared with the same period last year).

Breakdown of net sales, etc.

Classification	Three-month consolidation period ended June 30, 2020 (Apr. 1, 2020 – June 30, 2020)			Three-month consolidation period ended June 30, 2021 (Apr. 1, 2021 – June 30, 2021)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	153	4,012	78.2%	324	8,219	204.9%
Gala Residence series	0	—	—	12	589	—
Pre-owned condominiums	174	4,181	36.6%	208	5,086	121.6%
Other income	—	1,761	107.1%	—	1,888	107.3%
Total	327	9,955	48.9%	544	15,784	158.6%

(Real estate management segment)

During the consolidated cumulative first quarter under review, as the result of new managed properties that were developed by the corporate group, the number of managed properties increased with the number of managed units for leasing reaching 17,111 and the number of buildings managed reaching 316.

As a result, net sales in the real estate management segment were ¥833 million (an increase of 11.8% compared with the same period last year), and segment profit was ¥222 million (an increase of 6.0% compared with the same period last year).

(Construction segment)

During the consolidated cumulative first quarter under review, orders centered on condominium construction were steady. Construction work progressed as planned.

As a result, net sales in the construction segment were ¥1,470 million (a decrease of 0.0% compared with the same period last year), and segment profit was ¥183 million (an increase of 25.2% compared with the same period last year).

(Japanese inn segment)

During the consolidated cumulative first quarter under review, although there was an increase in the number of overall visitors to Japanese inn facilities compared to the same period of last year, when all of these facilities temporarily closed due to the impact of the COVID-19 pandemic, the Japanese government re-declaring a state of emergency caused conditions to turn severe.

As a result, net sales in the Japanese inn segment increased to ¥214 million (an increase of 156.0% compared with the same period last year), and the segment posted a loss of ¥45 million (compared to a segment loss of ¥105 million in the same period last year).

Note that among the real estate development business, for sales of condominiums, only the proceeds from condominiums that have been actually handed over to the customer are posted. Therefore, there may be unbalances in quarterly business results depending on the dates of completion of the housing or dates of delivery.

(2) Explanation of Financial Position

(Assets)

At the end of the consolidated first quarter under review, current assets were ¥72,293 million, a decrease of ¥384 million as compared with the end of the previous consolidated fiscal year. This is mainly because real estate for sale decreased by ¥6,686 million, while cash and deposits increased by ¥3,966 million and real estate for sale in process by ¥2,092 million. Non-current assets recorded ¥12,345 million, an increase of ¥646 million as compared with the end of the previous consolidated fiscal year. This is mainly due to the shifting of real estate for sale to property, plant and equipment, which was carried out for a portion of this real estate for sale due to changes in their purpose of ownership.

As a result, total assets were ¥84,638 million, an increase of ¥262 million as compared with the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the consolidated first quarter under review, current liabilities were ¥13,559 million, a decrease of ¥3 million as compared with the end of the previous consolidated fiscal year. Non-current liabilities recorded ¥16,594 million, a decrease of ¥348 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable decreased by ¥359 million.

As a result, total liabilities were ¥30,153 million, a decrease of ¥351 million as compared with the end of the previous consolidated fiscal year.

(Net assets)

At the end of the consolidated first quarter under review, total net assets were ¥54,484 million, an increase of ¥614 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥1,108 million in net income attributable to shareholders of parental company, while a major decrease was ¥719 million in dividends of surplus.

As a result, the equity ratio was 64.4% (it was 63.8% at the end of the previous consolidated fiscal year).

(3) Explanation of Future Forecasts Such as the Forecast of Consolidated Operating Results

Regarding the forecast for the fiscal year ending March 31, 2022, there has been no change to the forecasted numbers listed in the “Summary of Financial Results for the Fiscal Year Ended March 31, 2021” that was released on May 10, 2021.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets in the First Quarter

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
ASSETS		
Current assets		
Cash and deposits	23,137	27,103
Marketable securities	-	100
Notes and operating accounts receivable-trade	5,739	-
Notes and operating accounts receivable-trade, and contract assets	-	4,433
Real estate for sale	26,190	19,504
Real estate for sale in process	16,413	18,506
Costs on uncompleted construction contracts	17	23
Raw materials and supplies	47	34
Advance payments-trade	592	636
Other	540	1,953
Allowance for doubtful accounts	(1)	(1)
Total current assets	72,677	72,293
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,340	6,909
Accumulated depreciation	(1,138)	(1,199)
Buildings and structures, net	5,202	5,709
Land	4,604	5,045
Other	345	362
Accumulated depreciation	(270)	(277)
Other, net	74	84
Total property, plant and equipment	9,882	10,840
Intangible assets	37	47
Investments and other assets		
Investment securities	265	181
Deferred tax assets	793	588
Other	718	687
Total investments and other assets	1,778	1,457
Total non-current assets	11,698	12,345
Total assets	84,375	84,638

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,505	1,094
Short-term loans payable	480	480
Current portion of long-term loans payable	6,912	7,249
Accounts payable-other	476	881
Income taxes payable	812	381
Accrued consumption taxes	178	565
Deposits received	2,025	2,074
Provision for bonuses	255	85
Other	916	747
Total current liabilities	13,563	13,559
Non-current liabilities		
Long-term loans payable	13,423	13,063
Provision for directors' retirement benefits	939	952
Net defined benefit liabilities	712	714
Long-term lease and guarantee deposited	1,797	1,786
Long-term deposits received	69	76
Total non-current liabilities	16,942	16,594
Total liabilities	30,505	30,153
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	49,240	49,846
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	53,858	54,464
Accumulated other comprehensive income		
Valuation difference on marketable securities	13	21
Remeasurements of defined benefit plans	(1)	(1)
Total accumulated other comprehensive income	11	20
Total net assets	53,869	54,484
Total liabilities and net assets	84,375	84,638

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Three-Month Consolidation Period)

(Millions of yen)

	1Q/ FY ended March 31, 2021 (Apr. 1, 2020 - June 30, 2020)	1Q/ FY ending March 31, 2022 (Apr. 1, 2021 - June 30, 2021)
Net sales	12,256	18,303
Cost of sales	9,101	13,804
Gross profit	3,154	4,499
Selling, general and administrative expenses		
Advertising expenses	295	521
Salaries, allowances and bonuses	776	814
Provision for bonuses	81	72
Retirement benefit expenses	17	21
Provision for directors' retirement benefits	14	12
Other	1,117	1,423
Total selling, general and administrative expenses	2,302	2,866
Operating income	851	1,633
Non-operating income		
Interest income	0	0
Dividend income	0	2
Penalty income	6	5
Compensation income	-	8
Subsidy income	5	2
Other	1	4
Total non-operating income	13	23
Non-operating expenses		
Interest expenses	23	23
Commission fee	14	-
Other	1	0
Total non-operating expenses	38	23
Ordinary income	827	1,633
Extraordinary income		
Gain on sale of non-current assets	-	10
Total extraordinary income	-	10
Income before income taxes	827	1,643
Income taxes-current	170	429
Income taxes-deferred	142	105
Total income taxes	312	535
Net income	514	1,108
Net income attributable to shareholders of parental company	514	1,108

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-Month Consolidation Period)

(Millions of yen)

	1Q/ FY ended March 31, 2021 (Apr. 1, 2020 - June 30, 2020)	1Q/ FY ending March 31, 2022 (Apr. 1, 2021 - June 30, 2021)
Net income	514	1,108
Other comprehensive income		
Valuation difference on marketable securities	(1)	8
Remeasurements of defined benefit plans, net of tax	0	0
Total of other comprehensive income	(1)	8
Comprehensive income	512	1,117
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	512	1,117
Comprehensive income attributable to non- controlling interests	-	-

(3) Notes Regarding Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Changes to the Scope of Consolidation and Application of the Equity Method)

Since we are shifting to a holding-company structure, our split preparation company established on April 1 2021, FJ Next Co., Ltd., will be included in the scope of consolidation from the consolidated first quarter under review.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition and Related Matters)

From the beginning of the consolidated first quarter under review, the corporate group applies the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) of the Japanese generally accepted accounting principles (J-GAAP) (hereinafter “the Accounting Standard for Revenue Recognition”). Under this standard, once control of a promised good or service is transferred to the customer, the corporate group recognizes revenue at the amount that the corporate group expects to receive in exchange for the good or service. As a result, although we applied the deferment method to sales profits commensurate with uncollected credit for sales of real estate for sale carried out alongside consolidated subsidiary financing, since control passes to the customer at the time properties are handed over, profit was not deferred in these cases.

In applying the Accounting Standard for Revenue Recognition, the corporate group follows the transitional handling stipulated in the proviso in Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative financial effect of applying the new accounting policy retroactively to events before the beginning of the consolidated first quarter under review is added to or subtracted from the retained earnings at the beginning of the first quarter, and the new accounting policy is applied from the balance at the beginning of the first quarter onward.

However, the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition is also applied. The new accounting policy is not applied retroactively to contracts in which most revenue is recognized in accordance with the handling before the beginning of the consolidated first quarter under review.

In addition, the method stipulated in the proviso (1) in Paragraph 86 of the Accounting Standard for Revenue Recognition is applied. With respect to contract changes conducted before the beginning of the consolidated first quarter under review, accounting is conducted based on the contract terms after all of the contract changes are reflected, and the cumulative financial effect is added to or subtracted from the retained earnings at the beginning of the consolidated first quarter under review.

As a result, the balance of retained earnings at the beginning of the first quarter under review is increased by ¥216 million. In addition, the impact on profit and loss for the consolidated cumulative first quarter under review is minimal.

Because the Accounting Standard for Revenue Recognition is applied, the item “Notes and accounts receivable–trade” listed under “Current assets” in the consolidated balance sheet for the previous consolidated fiscal year is included in “Notes and accounts receivable–trade, and contract assets” from consolidated first quarter under review onward. In accordance with the stipulation on transitional handling in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, accounting items are not reorganized for the previous consolidated fiscal year as a result in the new method of representation. In addition, in accordance with the stipulations on transitional handling in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (Accounting Standard Boards of Japan (ASBJ) Statement No. 12, March 31, 2020), information on the breakdown of revenue from customer contracts in the previous consolidated cumulative first quarter is not listed.

(Application of the Accounting Standard for Fair Value Measurement)

The Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Statement No. 30, July 4, 2019) of the Japanese generally accepted accounting principles (J-GAAP) (hereinafter “the Accounting Standard for Fair Value Measurement”) is applied from the beginning of the consolidated first quarter under review. In accordance with the stipulations on transitional handling in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (Accounting Standards Board of Japan (ASBJ) Statement No. 10, July 4, 2019), the new accounting policy stipulated in the Accounting Standard for Fair Value Measurement, etc. will be applied in the future. This application has no effect on the quarterly consolidated financial statements.

(Notes in Event of Significant Changes in Shareholders’ Equity)

None.

(Segment Information)

I. For the Three Months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

1. Information on the amount of sale and profit or loss for reported segments

(Millions of yen)

	Reported segment					Adjustment (Note) 1	Amounts shown on Quarterly Consolidated Statement of Income (Note) 2
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Total		
Net sales							
External customers	9,955	746	1,471	83	12,256	-	12,256
Inter-segment sales or exchange	3	107	78	2	191	(191)	-
Total	9,958	853	1,549	85	12,448	(191)	12,256
Segment profit (loss)	586	210	146	(105)	838	13	851

(Notes) 1. The adjustment amount of segment profit (loss) of ¥13 million includes ¥13 million in elimination of inter-segment transactions and negative ¥0 million in adjustments of inventories and non-current assets.

2. Segment profit (loss) is adjusted with operating income in the quarterly consolidated statement of income.

II. For the Three Months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

1. Information on the amount of sale and profit or loss for reported segments along with the breakdown of revenue

(Millions of yen)

	Reported segment					Adjustment (Note) 1	Amounts shown on Quarterly Consolidated Statement of Income (Note) 2
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Total		
Net sales							
Newly-built condominiums	8,809	-	-	-	8,809	-	8,809
Previously-owned condominiums	5,086	-	-	-	5,086	-	5,086
Other	26	739	1,470	214	2,450	-	2,450
Revenue from contracts with customers	13,922	739	1,470	214	16,346	-	16,346
Other revenue (Note) 3	1,862	94	-	-	1,957	-	1,957
External customers	15,784	833	1,470	214	18,303	-	18,303
Inter-segment sales or exchange	3	104	34	4	147	(147)	-
Total	15,788	938	1,505	219	18,451	(147)	18,303
Segment profit (loss) (Note) 4	1,259	222	183	(45)	1,619	13	1,633

(Notes) 1. The adjustment amount of segment profit (loss) of ¥13 million includes ¥12 million in elimination of inter-segment transactions and ¥0 million in adjustments of inventories and non-current assets.

2. Segment profit (loss) is adjusted with operating income in the quarterly consolidated statement of income.

3. Other revenue are mainly real estate rental income.

4. As noted in the “(Changes in Accounting Policies),” changes such as the Accounting Standard for Revenue Recognition are applied from the consolidated first quarter under review. The impact of these changes on segment profit and loss is minimal.