

November 4, 2021

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

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 Date of filing of quarterly report: November 5, 2021 Date of commencement of dividend payment: December 2, 2021
 The supplementary explanation document for the second-quarter of accounts is created. Yes
 The briefing for the second-quarter of accounts is held. (for institutional investors and analysts) Yes

(Millions of yen rounded down)

1. Consolidated Operating Results for the Second Quarter of Fiscal Year Ending March 31, 2022 (From April 1, 2021 to September 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	%
2Q/ FY ending March 31, 2022	38,187	21.4	3,898	28.1	3,896	29.5	2,698	37.9
2Q/ FY ended March 31, 2021	31,459	(26.6)	3,044	(36.7)	3,008	(37.2)	1,956	(36.4)

(Note)

Comprehensive income:

2Q/ FY ending March 31, 2022: ¥2,719 million (39.2%)

2Q/ FY ended March 31, 2021: ¥1,953 million (-36.8%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
2Q/ FY ending March 31, 2022	82.55	—
2Q/ FY ended March 31, 2021	59.86	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2021	85,653	56,086	65.5	1,715.96
As of March 31, 2021	84,375	53,869	63.8	1,648.14

(Reference)

Shareholders' equity:

As of September 30, 2021: ¥56,086 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	—	24.00			
FY ending March 31, 2022 (Forecast)			—	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 six-month period ended September 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)

Six months ended September 30, 2021	34,646,500 shares	FY ended March 31, 2021	34,646,500 shares
Six months ended September 30, 2021	1,961,157 shares	FY ended March 31, 2021	1,961,157 shares
Six months ended September 30, 2021	32,685,343 shares	Six months ended September 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.

(How to obtain quarterly results supplementary explanation document and quarterly results briefing content)

The Company is planning to hold a briefing for institutional investors and analysts on Thursday, November 11, 2021. The explanation document for the quarterly results used on this day will be posted to our website promptly after this event is held.

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

(1) Explanation of Operating Results

During the first half of 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 vaccination promotion and other various measures by the Japanese government and to the recovery of overseas economies, it continues to be necessary to use caution regarding the movement of the pandemic spreading both in Japan and overseas, as well as the impact of 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 the 2021 fiscal year (April to September) increased by 44.7% from the same period last year to 12,809 units. Also, the average ratio of the first month contracts consummated during the same period was 70.6%; that is, above 70%, which is said to be a rough indication of good sales performance. This indicates that the market continues to head 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, it continues to be necessary to use caution regarding the spreading of the COVID-19 pandemic.

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 ¥38,187 million (an increase of 21.4% compared with the same period last year), operating income amounted ¥3,898 million (an increase of 28.1% compared with the same period last year), and ordinary income was ¥3,896 million (an increase of 29.5% compared with the same period last year). Furthermore, net income attributable to shareholders of parental company totaled ¥2,698 million (an increase of 37.9% compared with the same period last year).

The operating results for each business segment are as follows:

(Real estate development segment)

During the first half of the fiscal year ending March 31, 2022, we focused on the sales of new properties such as Gala City Shinagawa Nishi-oi, Gala Grandy Musashikosugi, and Gala Residence Fuchu Miyanishi-cho, and also actively conducted sales of pre-owned condominiums.

As a result, net sales were ¥19,327 million for newly built condominiums (714 units), ¥10,125 million for pre-owned condominiums (410 units), and ¥3,810 million from other income sources. Therefore, the total net sales in the segment reached ¥33,263 million (an increase of 25.2% compared with the same period last year) and the segment profit was ¥3,128 million (an increase of 32.8% compared with the same period last year).

Breakdown of net sales, etc.

Classification	Six-month consolidation period ended September 30, 2020 (Apr. 1, 2020 – Sept. 30, 2020)			Six-month consolidation period ended September 30, 2021 (Apr. 1, 2021 – Sept. 30, 2021)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	421	11,419	117.4	650	16,462	144.2
Gala Residence series	43	1,941	35.3	64	2,864	147.6
Pre-owned condominiums	392	9,624	47.9	410	10,125	105.2
Other income	—	3,572	107.0	—	3,810	106.6
Total	856	26,558	68.7	1,124	33,263	125.2

(Real estate management segment)

During the first half of the fiscal year ending March 31, 2022, as the result of undertaking new managed properties that were developed by the corporate group and external developers, the number of managed units for leasing reached 17,096 and the number of buildings managed reached 318.

Therefore, net sales in the real estate management segment were ¥1,722 million (an increase of 12.3% compared with the same period last year). Segment profit was ¥430 million (a decrease of 1.5% compared with the same period last year) .

(Construction segment)

During the first half of the fiscal year ending March 31, 2022, orders centered on condominium construction and large-scale repairs were steady. Construction work progressed mainly as planned.

As a result, net sales in the construction segment were ¥2,710 million (a decrease of 8.2% compared with the same period last year), and segment profit was ¥358 million (an increase of 23.8% compared with the same period last year) by improving the profit rate of completed construction contracts.

(Japanese inn segment)

During the first half of the fiscal year ending March 31, 2022, although the occupancy rate decreased due to people voluntarily refraining from travel in Japan in response to the state of emergency declared by the Japanese government, the number of visitors increased compared to the same period last year when all of these facilities temporarily closed due to the impact of the COVID-19 pandemic, and there is a trend toward recovery with a focus on guestrooms in the high price range.

As a result, in the Japanese inn segment, net sales increased to ¥490 million (an increase of 18.7% compared with the same period last year), and the segment posted a loss of ¥45 million (compared to a segment loss of ¥61 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

1) Assets, liabilities and net assets

(Assets)

At the end of the consolidated second quarter under review, current assets were ¥72,850 million, an increase of ¥173 million as compared with the end of the previous consolidated fiscal year. This is mainly because cash and deposits increased by ¥9,197 million and real estate for sale in process by ¥2,915 million, while real estate for sale decreased by ¥10,970 million. Non-current assets recorded ¥12,803 million, an increase of ¥1,104 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 ¥85,653 million, an increase of ¥1,277 million as compared with the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the consolidated second quarter under review, current liabilities were ¥12,946 million, a decrease of ¥617 million as compared with the end of the previous consolidated fiscal year. This is mainly because current portion of long-term loans payable decreased by ¥1,342 million, notes and accounts payable-trade by ¥359 million, and deposits received by ¥148 million, while accrued consumption taxes increased by ¥619 million, income taxes payable by ¥488 million, and provision for bonuses by ¥210 million. Non-current liabilities recorded ¥16,620 million, a decrease of ¥321 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable decreased by ¥179 million and provision for directors' retirement benefits by ¥151 million.

As a result, total liabilities were ¥29,566 million, a decrease of ¥938 million as compared with the end of the previous consolidated fiscal year.

(Net assets)

At the end of the consolidated second quarter under review, total net assets were ¥56,086 million, an increase of ¥2,216 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥2,698 million in net income attributable to shareholders of parental company, while a ¥719 million decrease was recorded in dividends of surplus.

As a result, the equity ratio was 65.5% (it was 63.8% at the end of the previous consolidated fiscal year).

2) Situation of Cash Flows

During the consolidated six-month period ended September 30, 2021, cash and cash equivalents (hereinafter "funds") were ¥32,193 million, an increase of ¥9,197 million as compared with the end of the previous consolidated fiscal year.

The situation and variable factors of each cash flow were as follows:

(Cash flows from operating activities)

Funds acquired from operating activities totaled ¥11,486 million (same period last year recorded an income of ¥1,510 million). Major income consisted of a decrease of ¥6,730 million in inventories, ¥3,906 million in income before income taxes, and a decrease of ¥1,082 million in notes and accounts receivable-trade and contract assets, while major expenditures resulted from ¥844 million in income taxes paid, a decrease of ¥359 million in notes and accounts payable-trade, and a decrease of ¥151 million in provision for directors' retirement benefits.

(Cash flows from investing activities)

Funds used in investing activities totaled ¥47 million (same period last year recorded an income of ¥52 million).

(Cash flows from financing activities)

Funds used in financing activities totaled ¥2,241 million (same period last year recorded an income of ¥883 million). A major income was ¥2,290 million in proceeds from long-term loans payable to be used as funds for the purchase of business land. As for major expenditures, there were ¥3,812 million in repayments of long-term loans payable and ¥718 million in cash dividends paid.

(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 Second Quarter

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
ASSETS		
Current assets		
Cash and deposits	23,137	32,334
Notes and operating accounts receivable-trade	5,739	—
Notes and operating accounts receivable-trade, and contract assets	—	3,287
Real estate for sale	26,190	15,220
Real estate for sale in process	16,413	19,329
Costs on uncompleted construction contracts	17	55
Raw materials and supplies	47	32
Advance payments-trade	592	620
Other	540	1,971
Allowance for doubtful accounts	(1)	(1)
Total current assets	72,677	72,850
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,340	7,041
Accumulated depreciation	(1,138)	(1,259)
Buildings and structures, net	5,202	5,782
Land	4,604	5,169
Other	345	363
Accumulated depreciation	(270)	(285)
Other, net	74	78
Total property, plant and equipment	9,882	11,030
Intangible assets	37	46
Investments and other assets		
Investment securities	265	300
Deferred tax assets	793	772
Other	718	654
Total investments and other assets	1,778	1,726
Total non-current assets	11,698	12,803
Total assets	84,375	85,653

(Millions of yen)

	As of March 31, 2021	As of September 30, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,505	1,145
Short-term loans payable	480	480
Current portion of long-term loans payable	6,912	5,569
Accounts payable-other	476	417
Income taxes payable	812	1,300
Accrued consumption taxes	178	798
Deposits received	2,025	1,876
Provision for bonuses	255	466
Other	916	889
Total current liabilities	13,563	12,946
Non-current liabilities		
Long-term loans payable	13,423	13,243
Provision for directors' retirement benefits	939	788
Net defined benefit liabilities	712	735
Long-term lease and guarantee deposited	1,797	1,777
Long-term deposits received	69	75
Total non-current liabilities	16,942	16,620
Total liabilities	30,505	29,566
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	49,240	51,436
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	53,858	56,053
Accumulated other comprehensive income		
Valuation difference on marketable securities	13	34
Remeasurements of defined benefit plans	(1)	(1)
Total accumulated other comprehensive income	11	32
Total net assets	53,869	56,086
Total liabilities and net assets	84,375	85,653

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-Month Consolidation Period)

(Millions of yen)

	1Q-2Q/ FY ended March 31, 2021 (Apr. 1, 2020 - Sept. 30, 2020)	1Q-2Q/ FY ending March 31, 2022 (Apr. 1, 2021 - Sept. 30, 2021)
Net sales	31,459	38,187
Cost of sales	23,643	28,566
Gross profit	7,815	9,621
Selling, general and administrative expenses		
Advertising expenses	699	1,080
Salaries, allowances and bonuses	1,325	1,422
Provision for bonuses	444	442
Retirement benefit expenses	34	42
Provision for directors' retirement benefits	26	26
Other	2,240	2,708
Total selling, general and administrative expenses	4,771	5,722
Operating income	3,044	3,898
Non-operating income		
Interest income	0	0
Divided income	1	2
Penalty income	10	10
Compensation income	—	8
Subsidy income	12	9
Other	3	11
Total non-operating income	29	42
Non-operating expenses		
Interest expenses	48	44
Commission fee	14	—
Other	1	0
Total non-operating expenses	64	45
Ordinary income	3,008	3,896
Extraordinary income		
Gain on sale of non-current assets	—	10
Total extraordinary income	—	10
Income before income taxes	3,008	3,906
Income taxes-current	1,117	1,291
Income taxes-deferred	(65)	(83)
Total income taxes	1,052	1,208
Net income	1,956	2,698
Net income attributable to shareholders of parental company	1,956	2,698

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

(Millions of yen)

	1Q-2Q/ FY ended March 31, 2021 (Apr. 1, 2020 - Sept. 30, 2020)	1Q-2Q/ FY ending March 31, 2022 (Apr. 1, 2021 - Sept. 30, 2021)
Net income	1,956	2,698
Other comprehensive income		
Valuation difference on marketable securities	(3)	21
Remeasurements of defined benefit plans, net of tax	0	0
Total of other comprehensive income	(2)	21
Comprehensive income	1,953	2,719
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	1,953	2,719
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	1Q-2Q/ FY ended March 31, 2021 (Apr. 1, 2020 - Sept. 30, 2020)	1Q-2Q/ FY ending March 31, 2022 (Apr. 1, 2021 - Sept. 30, 2021)
Cash flows from operating activities		
Income before income taxes	3,008	3,906
Depreciation	170	198
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	182	210
Increase (decrease) in provision for directors' retirement benefits	25	(151)
Increase (decrease) in net defined benefit liabilities	9	23
Interest and dividend income	(2)	(2)
Interest expenses	48	44
Gain on sale of non-current assets	—	(10)
Decrease (increase) in notes and accounts receivable-trade	(97)	—
Decrease (increase) in notes and accounts receivable-trade and contract assets	-	1,082
Decrease (increase) in inventories	375	6,730
Increase (decrease) in notes and accounts payable-trade	24	(359)
Decrease (increase) in advance payments	(255)	(28)
Increase (decrease) in advances received	46	251
Increase (decrease) in lease and guarantee deposits received	12	(19)
Increase (decrease) in accrued consumption taxes	(91)	619
Other, net	(53)	(122)
Subtotal	3,404	12,373
Interest and dividend income received	2	2
Interest expenses paid	(49)	(45)
Income taxes paid	(1,847)	(844)
Net cash provided by operating activities	1,510	11,486
Cash flows from investing activities		
Purchase of property, plant and equipment	(18)	(64)
Proceeds from sale of property, plant and equipment	—	28
Purchase of intangible assets	—	(10)
Purchase of investment securities	(3)	(103)
Proceeds from redemption of investment securities	—	100
Decrease (increase) in time deposits	161	(0)
Other, net	(88)	1
Net cash provided by (used in) investing activities	52	(47)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(930)	—
Proceeds from long-term loans payable	7,000	2,290
Repayments of long-term loans payable	(4,467)	(3,812)
Cash dividends paid	(719)	(718)
Net cash provided by (used in) financing activities	883	(2,241)
Net increase (decrease) in cash and cash equivalents	2,446	9,197
Cash and cash equivalents at the beginning of period	21,796	22,996
Cash and cash equivalents at the end of period	24,242	32,193

(4) 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 have shifted to a holding-company structure, our split preparation company established on April 1 2021, FJ NEXT CO., LTD., is included in the scope of consolidation from the consolidated first quarter of this fiscal year.

(Changes in Accounting Policies)

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

From the beginning of the consolidated first quarter of this fiscal year, 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 of this fiscal year 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 of this fiscal year. 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 of this fiscal year, 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 of this fiscal year.

As a result, the balance of retained earnings at the beginning of the second quarter under review is increased by ¥216 million. In addition, the impact on profit and loss for the first half of the current consolidated fiscal year 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 operating accounts receivable–trade, and contract assets” from consolidated first quarter of this fiscal year 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 first half of the previous consolidated fiscal year 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 of this fiscal year. 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.

(Application of Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements)

None.

(Segment Information)

I. For the Six Months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

1. Information on the amount of sales 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	26,558	1,533	2,954	413	31,459	—	31,459
Inter-segment sales or exchange	7	213	132	5	359	(359)	—
Total	26,566	1,746	3,087	418	31,819	(359)	31,459
Segment profit (loss)	2,355	436	289	(61)	3,020	24	3,044

(Notes) 1. The adjustment amount of segment profit (loss) of ¥24 million includes ¥26 million in elimination of inter-segment transactions and negative ¥2 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 Six Months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

1. Information on the amount of sales 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							
Newly-built condominiums	19,327	—	—	—	19,327	—	19,327
Previously-owned condominiums	10,125	—	—	—	10,125	—	10,125
Other	163	1,541	2,710	490	4,906	—	4,906
Revenue from contracts with customers	29,616	1,541	2,710	490	34,360	—	34,360
Other revenue	3,646	180	—	—	3,827	—	3,827
External customers	33,263	1,722	2,710	490	38,187	—	38,187
Inter-segment sales or exchange	7	198	42	7	255	(255)	—
Total	33,271	1,920	2,753	498	38,443	(255)	38,187
Segment profit (loss)	3,128	430	358	(45)	3,871	27	3,898

(Notes) 1. The adjustment amount of segment profit (loss) of ¥27 million includes ¥25 million in elimination of inter-segment transactions and ¥2 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.

(Significant Subsequent Events)

(Company Split in Conjunction With Shift to Holding Company Structure)

At the Board of Directors meeting held on April 27, 2021, the Company resolved to enter into an absorption-type split agreement with a wholly-owned split preparation company of the Company. Following approval at the annual general meeting of shareholders held on June 23, 2021, an absorption-type company split was implemented on October 1, 2021, and the Company transitioned to a holding company structure. Also, on the same date, the Company name was changed to “FJ Next Holdings Co., Ltd.”

1. Overview of company split

(1) Company splits between the Company and a wholly-owned subsidiary

(a) Split company

FJ Next Co., Ltd. (the Company)

(b) Succeeding company

FJ NEXT CO., LTD.

(c) Target business activities

Planning, development, sales, and brokerage of real estate

(2) Date of business combination

October 1, 2021

(3) Legal form of business combination

Absorption-type split in which the Company is the split company in the absorption-type split and FJ NEXT CO., LTD. is the succeeding company

(4) Name of companies after business combination

• FJ Next Holdings Co., Ltd. (company name changed from FJ Next Co., Ltd.)

• FJ NEXT CO., LTD.

(5) Other matters related to overview of transaction

By shifting to a holding company structure, the Company aims to construct a robust governance system by separating the group management function and the business execution function.

2. Overview of implemented accounting treatment

Transactions are treated as transactions under common control based on the “Accounting Standard for Business Combinations” and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”