

February 8, 2022

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

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 The supplementary explanation document for the third quarter of accounts is created. No
 The briefing for the third quarter of accounts is held. No

(Millions of yen rounded down)

1. Consolidated Operating Results for the Third Quarter of Fiscal Year Ending March 31, 2022 (From April 1, 2021 to December 31, 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	%
3Q/ FY ending March 31, 2022	54,261	12.6	5,204	12.2	5,193	13.4	3,419	10.4
3Q/ FY ended March 31, 2021	48,186	(14.5)	4,639	(19.4)	4,581	(19.6)	3,097	(19.3)

(Note)

Comprehensive income:

3Q/ FY ending March 31, 2022: ¥3,438 million (11.0%)

3Q/ FY ended March 31, 2021: ¥3,098 million (-19.8%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
3Q/ FY ending March 31, 2022	104.62	—
3Q/ FY ended March 31, 2021	94.78	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2021	84,720	56,021	66.1	1,713.95
As of March 31, 2021	84,375	53,869	63.8	1,648.14

(Reference)

Shareholders' equity:

As of December 31, 2021: ¥56,021 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 nine-month period ended December 31, 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)	Nine months ended December 31, 2021	34,646,500 shares	FY ended March 31, 2021	34,646,500 shares
2) Amount of treasury stock at term-end	Nine months ended December 31, 2021	1,961,157 shares	FY ended March 31, 2021	1,961,157 shares
3) Amount of average stock during term (Quarter accumulation)	Nine months ended December 31, 2021	32,685,343 shares	Nine months ended December 31, 2020	32,685,343 shares

* 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.

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

(1) Explanation of Operating Results

During this nine-month consolidation period (first three quarters of the fiscal year ending March 31, 2022), partial moves toward recovery were seen in the Japanese economy. Amid a gradual easing of the challenges due to the COVID-19 pandemic, various measures by the Japanese government had beneficial effects, while overseas economies improved. However, continued vigilance is warranted regarding trends in the spread of COVID-19 in Japan and overseas and regarding fluctuations in the financial and capital markets.

Regarding the condominium marketplace in the Tokyo metropolitan area, the number of new condominiums offered in the Tokyo metropolitan area in 2021 (January to December) increased by 23.5% from last year to 33,636 units. Purchase demand trended firm. The average rate of first-month contracts consummated during the same period was 73.3%, with a level of 70% or higher said to be a rough indication of good sales performance. (All figures are derived from 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, the impact of renewed spread of the COVID-19 pandemic warrants continued attention.

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 ¥54,261 million (an increase of 12.6% compared with the same period of the previous fiscal year (YOY)), operating income amounted ¥5,204 million (an increase of 12.2% YOY), and ordinary income was ¥5,193 million (an increase of 13.4% YOY). Furthermore, net income attributable to shareholders of parental company totaled ¥3,419 million (an increase of 10.4% YOY).

The operating results for each business segment are as follows:

Beginning in the third quarter consolidation period under review, the Company is implementing a partial change in reported segments. In this report, the figures for the same period of the previous fiscal year are calculated based on the reported segments after the change.

(Real estate development segment)

During the first nine months 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 ¥25,636 million for newly built condominiums (967 units), ¥15,709 million for pre-owned condominiums (637 units), and ¥5,500 million from other income sources. Therefore, the total net sales in the segment reached ¥46,845 million (an increase of 15.1% YOY) and the segment profit was ¥4,065 million (an increase of 15.2% YOY).

Breakdown of net sales, etc.

Classification	Nine-month consolidation period ended December 31, 2020 (Apr. 1, 2020 – Dec. 31, 2020)			Nine-month consolidation period ended December 31, 2021 (Apr. 1, 2021 – Dec. 31, 2021)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	657	17,642	136.3	903	22,771	129.1
Gala Residence series	49	2,194	38.7	64	2,864	130.6
Pre-owned condominiums	627	15,561	59.8	637	15,709	100.9
Other income	—	5,352	104.6	—	5,500	102.8
Total	1,333	40,751	81.9	1,604	46,845	115.0

(Real estate management segment)

During the first nine months of the fiscal year ending March 31, 2022, as the result of the acceptance of new managed properties that were developed by the corporate group, the number of managed properties increased. The number of managed units for leasing reached 17,133 and the number of buildings managed reached 320.

As a result, net sales in the real estate management segment were ¥2,564 million (an increase of 10.7% YOY), and segment profit was ¥621 million (a decrease of 4.2% YOY).

(Construction segment)

During the first nine months of the fiscal year ending March 31, 2022, orders centered on condominium construction and largescale repairs were steady. Construction work progressed roughly as planned.

As a result, net sales in the construction segment were ¥4,009 million (a decrease of 7.2% YOY), and segment profit was ¥511 million (an increase of 16.2% YOY) by improving the profit rate of completed construction contracts.

(Japanese inn segment)

During the first nine months of the fiscal year ending March 31, 2022, this segment staged a recovery. The occupancy rate from summer onwards suffered in comparison with the same period of the previous fiscal year, due to a reactionary decline from the special demand generated by the Go To Travel Campaign and other measures aimed at stimulating demand implemented in the previous fiscal year. However, the segment maintained a recovery keynote, paced by occupancy of suites in higher price ranges.

As a result, in the Japanese inn segment, net sales increased to ¥799 million (an increase of 0.5% YOY), and segment loss was ¥30 million (compared to a segment profit of ¥1 million in the same period of the previous fiscal year).

(Other segments)

Net sales in other segments reached ¥42 million in the first nine months of the fiscal year ending March 31, 2022 (an increase of 23.0% YOY). Segment profit was ¥29 million (an increase of 54.6% YOY).

Note that among the real estate development business, which is the main line of business of our corporate group, 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 third quarter under review, current assets were ¥72,081 million, a decrease of ¥595 million as compared with the end of the previous consolidated fiscal year. This is mainly because real estate for sale decreased by ¥12,286 million, while cash and deposits increased by ¥9,050 million and real estate for sale in process by ¥5,120 million. Non-current assets recorded ¥12,639 million, an increase of ¥941 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 ¥84,720 million, an increase of ¥345 million as compared with the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the consolidated third quarter under review, current liabilities were ¥12,630 million, a decrease of ¥932 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 and notes and accounts payable-trade by ¥505 million, while accrued consumption taxes increased by ¥808 million. Non-current liabilities recorded ¥16,068 million, a decrease of ¥873 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable decreased by ¥764 million. As a result, total liabilities were ¥28,699 million, a decrease of ¥1,806 million as compared with the end of the previous consolidated fiscal year.

(Net assets)

At the end of the consolidated third quarter under review, total net assets were ¥56,021 million, an increase of ¥2,151 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥3,419 million in net income attributable to shareholders of parental company, while a ¥1,503 million decrease was recorded in dividends of surplus. As a result, the equity ratio was 66.1% (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 Third Quarter

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
ASSETS		
Current assets		
Cash and deposits	23,137	32,187
Notes and operating accounts receivable-trade	5,739	—
Notes and operating accounts receivable-trade, and contract assets	—	2,271
Real estate for sale	26,190	13,904
Real estate for sale in process	16,413	21,534
Costs on uncompleted construction contracts	17	41
Raw materials and supplies	47	26
Advance payments-trade	592	178
Other	540	1,939
Allowance for doubtful accounts	(1)	(1)
Total current assets	72,677	72,081
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,340	7,046
Accumulated depreciation	(1,138)	(1,321)
Buildings and structures, net	5,202	5,724
Land	4,604	5,169
Other	345	366
Accumulated depreciation	(270)	(293)
Other, net	74	73
Total property, plant and equipment	9,882	10,967
Intangible assets	37	45
Investments and other assets		
Investment securities	265	299
Deferred tax assets	793	691
Other	718	634
Total investments and other assets	1,778	1,626
Total non-current assets	11,698	12,639
Total assets	84,375	84,720

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,505	1,000
Short-term loans payable	480	240
Current portion of long-term loans payable	6,912	5,569
Accounts payable-other	476	475
Income taxes payable	812	591
Accrued consumption taxes	178	987
Deposits received	2,025	2,262
Provision for bonuses	255	304
Other	916	1,199
Total current liabilities	13,563	12,630
Non-current liabilities		
Long-term loans payable	13,423	12,658
Provision for directors' retirement benefits	939	802
Net defined benefit liabilities	712	741
Long-term lease and guarantee deposited	1,797	1,774
Long-term deposits received	69	91
Total non-current liabilities	16,942	16,068
Total liabilities	30,505	28,699
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	49,240	51,372
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	53,858	55,990
Accumulated other comprehensive income		
Valuation difference on marketable securities	13	31
Remeasurements of defined benefit plans	(1)	(1)
Total accumulated other comprehensive income	11	30
Total net assets	53,869	56,021
Total liabilities and net assets	84,375	84,720

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-Month Consolidation Period)

(Millions of yen)

	1Q-3Q/ FY ended March 31, 2021 (Apr. 1, 2020 – Dec. 31, 2020)	1Q-3Q/ FY ending March 31, 2022 (Apr. 1, 2021 – Dec. 31, 2021)
Net sales	48,186	54,261
Cost of sales	36,176	40,813
Gross profit	12,010	13,447
Selling, general and administrative expenses		
Advertising expenses	1,122	1,447
Salaries, allowances and bonuses	2,387	2,611
Provision for bonuses	258	291
Retirement benefit expenses	52	64
Provision for directors' retirement benefits	39	40
Other	3,510	3,787
Total selling, general and administrative expenses	7,370	8,243
Operating income	4,639	5,204
Non-operating income		
Interest income	0	0
Dividend income	3	5
Penalty income	17	14
Compensation income	—	8
Subsidy income	28	15
Other	6	13
Total non-operating income	56	57
Non-operating expenses		
Interest expenses	75	65
Commission fee	36	2
Other	2	0
Total non-operating expenses	114	68
Ordinary income	4,581	5,193
Extraordinary income		
Gain on sale of non-current assets	—	10
Total extraordinary income	—	10
Income before income taxes	4,581	5,204
Income taxes-current	1,444	1,786
Income taxes-deferred	39	(2)
Total income taxes	1,483	1,784
Net income	3,097	3,419
Net income attributable to shareholders of parental company	3,097	3,419

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

(Millions of yen)

	1Q-3Q/ FY ended March 31, 2021 (Apr. 1, 2020 – Dec. 31, 2020)	1Q-3Q/ FY ending March 31, 2022 (Apr. 1, 2021 – Dec. 31, 2021)
Net income	3,097	3,419
Other comprehensive income		
Valuation difference on marketable securities	(0)	18
Remeasurements of defined benefit plans, net of tax	0	0
Total of other comprehensive income	0	19
Comprehensive income	3,098	3,438
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	3,098	3,438
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 have shifted to a holding-company structure, our succeeding 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 third quarter under review is increased by ¥216 million. In addition, the impact on profit and loss for the nine months 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 nine months 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.

(Additional Information)

(Approach Regarding Impact of the COVID-19 Pandemic on Accounting Estimates)

The assumptions used to estimate the accounts in view of the impact of the COVID-19 pandemic in the nine months of the current consolidated fiscal year ending March 31, 2022 are unchanged from those listed in “5. Accounts 1) Consolidated Financial Statements

(1) Notes on the Consolidated Financial Statements (Important Accounting Estimates)” of the Annual Securities Report for the previous consolidated fiscal year.

These assumptions are highly uncertain. If the COVID-19 pandemic continues, resulting in restrictions on the Company’s business activities, the financial statements for the fourth quarter onward may be impacted.

(Change in Purpose for Holding)

During the first nine months of the fiscal year ending March 31, 2022, in conjunction with a change in purpose for holding a portion of the real estate for sale, ¥1,242 million of real estate for sale was reclassified as property, plant, and equipment (¥673 million as buildings and structures, and ¥569 million as land).

(Segment Information)

I. For the Nine Months ended December 31, 2020 (From April 1, 2020 to December 31, 2020)

1. Amount of sales and profit for reported segments and breakdown of revenue

(Millions of yen)

	Reported segment					Other segments (Note) 1	Total	Adjustment (Note) 2	Amounts shown on Quarterly Consolidated Statement of Income (Note) 3
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Subtotal				
Net sales									
Net sales to external customers	40,716	2,317	4,322	795	48,151	34	48,186	—	48,186
Inter-segment sales or exchange	12	319	181	9	522	—	522	(522)	—
Total	40,729	2,636	4,503	804	48,674	34	48,709	(522)	48,186
Segment profit	3,530	648	440	1	4,620	18	4,639	0	4,639

(Notes) 1. "Other segments" are business segments that are not included in the reported segments. These include the financial-services business.

2. The adjustment amount of segment profit of ¥0 million includes ¥43 million in elimination of inter-segment transactions, Company-wide expenses not allocated to reported segments of negative ¥39 million and adjustment of inventories and non-current assets of negative ¥3 million. Company-wide expenses mainly consist of general and administrative expenses not attributed to reported segments.

3. Segment profit is adjusted with operating income in the quarterly consolidated statement of income.

II. For the Nine Months ended December 31, 2021 (From April 1, 2021 to December 31, 2021)

1. Amount of sales and profit or loss for reported segments and breakdown of revenue

(Millions of yen)

	Reported segment					Other segments (Note) 1	Total	Adjustment (Note) 2	Amounts shown on Quarterly Consolidated Statement of Income (Note) 3
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Subtotal				
Net sales									
Newly-built condominiums	25,636	—	—	—	25,636	—	25,636	—	25,636
Previously-owned condominiums	15,709	—	—	—	15,709	—	15,709	—	15,709
Other	180	2,305	4,009	799	7,293	—	7,293	—	7,293
Revenue from contracts with customers	41,525	2,305	4,009	799	48,639	—	48,639	—	48,639
Other revenue (Note) 4	5,320	259	—	—	5,579	42	5,622	—	5,622
Net sales to external customers	46,845	2,564	4,009	799	54,218	42	54,261	—	54,261
Inter-segment sales or exchange	11	289	92	11	404	—	404	(404)	—
Total	46,857	2,853	4,101	810	54,623	42	54,666	(404)	54,261
Segment profit (loss) (Note) 5	4,065	621	511	(30)	5,167	29	5,197	7	5,204

(Notes) 1. "Other segments" are business segments that are not included in the reported segments. These include the financial-services business.

2. The adjustment amount of segment profit (loss) of ¥7 million includes ¥90 million in elimination of inter-segment transactions, Company-wide expenses not allocated to reported segments of negative ¥86 million and adjustment of inventories and non-current assets of ¥2 million. Company-wide expenses mainly consist of general and administrative expenses not attributed to reported segments.

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

4. Other revenue are mainly real estate rental income.

5. As noted in the "(Changes in Accounting Policies)," changes such as the Accounting Standard for Revenue Recognition are applied from the consolidated first quarter of this fiscal year. The impact of these changes on segment profit and loss is minimal.

2. Changes in reported segments, etc.

As a result of the shift to a holding-company structure on October 1, 2021, the Company has revised its reported segments. As a result of this revision, beginning in the third quarter of the fiscal year ending March 31, 2022, the financial-services business, which had previously been included in the real estate development segment, is changed to “other segments.” The Company has also revised its method of allocation of Company-wide expenses. The impact of these changes on net sales and profits in each reported segment is negligible.

Segment information for the nine months of the previous consolidated fiscal year are prepared and disclosed based on the reported segments as used after the above changes.

(Notes on Business Combinations, etc.)

Common Control Transactions, etc.

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

(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.

• 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.”

(Significant Subsequent Events)

None.