

Summary of Financial Results for the Fiscal Year Ended March 31, 2022 [Japan Standards] (Consolidated)

Company name: FJ Next Holdings Co., Ltd. Stock listing: Tokyo Stock Exchange
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 Date of general meeting of shareholders: June 22, 2022 Date of commencement of dividend payment: June 23, 2022
 Date of filing of securities report: June 23, 2022
 The supplementary explanation document for closing of accounts is created. Yes
 The briefing for closing of accounts is held. (Scheduled video distribution of financial results explanation) Yes

(Millions of yen rounded down)

1. Consolidated Operating Results for the Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(% 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	%
FY ended March 2022	82,258	12.7	9,095	23.7	9,080	23.8	6,338	27.2
FY ended March 2021	72,988	(14.0)	7,351	(29.4)	7,334	(29.0)	4,983	(26.0)

(Note)

Comprehensive income

FY ended March 31, 2022: ¥6,334 million (26.9%)

FY ended March 31, 2021: ¥4,993 million (-26.0%)

	Net Income Per Share	Net Income Per Share After Dilution	Return on Equity	Ratio of Ordinary Income to Total Assets	Ratio of Operating Income to Net Sales
	Yen	Yen	%	%	%
FY ended March 2022	193.93	—	11.2	10.9	11.1
FY ended March 2021	152.46	—	9.6	8.6	10.1

(Reference)

Equity in earnings (losses) of subsidiaries and affiliates accounted for by the equity method.

FY ended March 31, 2022: ¥ — million

FY ended March 31, 2021: ¥ — million

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	82,659	58,917	71.3	1,802.55
As of March 31, 2021	84,375	53,869	63.8	1,648.14

(Reference)

Shareholders' equity: As of March 31, 2022: ¥58,917 million

As of March 31, 2021: ¥53,869 million

(3) Consolidated Cash Flow Position

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of the Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY ended March 2022	22,215	7	(9,675)	35,543
FY ended March 2021	8,069	(89)	(6,780)	22,996

2. Dividends

	Dividends Per Share					Dividends (Total)	Payout Ratio (Consolidated)	Dividends on Equity (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY ended March 2021	—	22.00	—	22.00	44.00	1,438	28.9	2.8
FY ended March 2022	—	24.00	—	24.00	48.00	1,568	24.8	2.8
FY ending March 2023 (Forecast)	—	24.00	—	24.00	48.00		31.4	

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2023 (From April 1, 2022 to March 31, 2023)

(% 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	85,000	3.3	7,500	(17.5)	7,500	(17.4)	5,000	(21.1)	152.97

* Notes

- (1) Significant changes in subsidiaries during the period (changes in specific subsidiaries affecting the scope of consolidation): No
- (2) 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
- (3) Number of outstanding shares (common stock)
 - 1) Number of shares outstanding at term-end (including treasury stocks)
 - As of March 31, 2022: 34,646,500 shares
 - As of March 31, 2021: 34,646,500 shares
 - 2) Amount of treasury stock at term-end
 - As of March 31, 2022: 1,961,157 shares
 - As of March 31, 2021: 1,961,157 shares
 - 3) Amount of average stock during term
 - As of March 31, 2022: 32,685,343 shares
 - As of March 31, 2021: 32,685,343 shares

Reference: Non-consolidated Operating Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(1) Non-Consolidated Operating Results

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY ended March 2022	60,193	(3.9)	6,412	10.8	6,799	10.4	4,888	11.9
FY ended March 2021	62,626	(16.9)	5,784	(36.0)	6,160	(34.5)	4,369	(30.2)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
FY ended March 2022	149.57	—
FY ended March 2021	133.70	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	66,348	53,079	80.0	1,623.96
As of March 31, 2021	72,959	49,456	67.8	1,513.11

(Reference)

Shareholders' equity: As of March 31, 2022: ¥53,079 million
As of March 31, 2021: ¥49,456 million

* The Summary of Financial Results is not subject to audit 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 documents for the briefing for closing of accounts)

Instead of holding a briefing for closing of accounts for institutional investors, a video on the briefing for closing of accounts for the end of March 2022 and its explanatory documents will be published on our company's website after the financial results have been announced.

1. Summary of Operating Results

(1) Overview of Operating Results of the Current Fiscal Year

a) Operating results of the current fiscal year

During the consolidated fiscal year under review (ended March 31, 2022), under the prolonged impact of COVID-19, the Japanese economy has seen a recovery in economic activity with continued normalization of social and economic activities with infection control measures such as the government's proactive promotion of vaccination. On the other hand, in addition to the global shortage of semiconductors, rising prices of raw materials and crude oil, and sudden fluctuations in the financial capital market, it is also important to adequately consider geopolitical risks such as the situation in Ukraine.

Regarding the condominium marketplace in the Tokyo metropolitan area, the number of new condominiums offered in the Tokyo metropolitan area during the consolidated fiscal period under review increased by 13.2% from last year to 32,872 units. Purchase demand trended firm. The average rate of first-month contracts consummated during the same period was 72.9%, 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.

Additionally, although economic activities were significantly suppressed by the effects of COVID-19, we have worked to promote our business while implementing various measures to prevent the spread of infectious diseases.

As a result, net sales were ¥82,258 million (an increase of 12.7% compared with the previous consolidated fiscal year), operating income amounted ¥9,095 million (an increase of 23.7% compared with the previous consolidated fiscal year), and ordinary income was ¥9,080 million (an increase of 23.8% compared with the previous consolidated fiscal year). Furthermore, net income attributable to shareholders of parental company totaled ¥6,338 million (an increase of 27.2% compared with the previous consolidated fiscal year).

In addition, we have shifted to a shareholding company system on October 1, 2021 with the aim of separating the group management function and the execution function of the business and building a strong governance system, and made a trade name on the same date. Changed to FJ Next Holdings Co., Ltd. As a result, the Company has become a holding company that formulates a management strategy for the growth of the entire group, and FJ Next Co., Ltd., which was newly established on April 1 of the same year, has inherited our real estate development business. Operators will aim to further grow their business by promoting decision -making and pursuing their specialty with the authority and responsibility of each company.

The operating results for each business segment are as follows:

From the current consolidated fiscal year, 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 consolidated fiscal year under review, we focused on the sales of newly constructed properties such as the "Gala City Shinagawa Nishi-Oi," "Gala River Square Yokohama-Minami," and "Gala Residence Kasai," and also actively conducted sales of pre-owned condominiums.

As a result, net sales were ¥39,766 million for newly built condominiums (1,431 units), ¥25,174 million for pre-owned condominiums (1,025 units), 7,040 million for real estate rental income, and ¥267 million from other income sources. Therefore, the total net sales in the segment reached ¥72,249 million (an increase of 15.5% compared with the previous consolidated fiscal year) and the segment profit was ¥7,536 million (an increase of 28.4% compared with the previous consolidated fiscal year).

Breakdown of net sales, etc.

Category	Consolidated fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)			Consolidated fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	969	26,006	113.9	1,201	30,309	116.5
Gala Residence series	173	7,812	86.7	230	9,456	121.0
Pre-owned condominiums	871	21,484	58.9	1,025	25,174	117.2
Real estate rental income	—	7,057	103.7	—	7,040	99.8
Other income	—	179	88.8	—	267	149.0
Total	2,013	62,540	83.0	2,456	72,249	115.5

(Note) 1. The "Gala Residence series" includes the 60 units that are equivalent to the Company's equity among the projects based on joint ventures.

(Note) 2. The aggregation categories have been changed from the end of the consolidated fiscal year under review. To facilitate comparison, the numbers for the previous consolidated fiscal year have been recalculated and listed according to the changed aggregation categories. The reason for the discrepancy between total sales in the previous consolidated fiscal year and the amount stated in the "Summary of Consolidated Financial Statements for the Year Ended March 31, 2021," released on May 10, 2021, is due to a partial change in the classification of reporting segments .

(Real estate management segment)

During the consolidated fiscal year 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 17,432 and the number of buildings managed reaching 327.

As a result, net sales in the real estate management segment were ¥3,485 million (an increase of 10.2% compared with the previous consolidated fiscal year), and segment profit was ¥882 million (a decrease of 1.8% compared with the previous consolidated fiscal year).

(Construction segment)

During the consolidated fiscal year under review, orders centered on condominium construction and largescale repairs were steady. Construction work progressed as planned.

As a result, net sales in the construction segment were ¥5,371 million (a decrease of 14.0% compared with the previous consolidated fiscal year), and segment profit was ¥646 million (an increase of 9.1% compared with the previous consolidated fiscal year) by improving the profit rate of completed construction contracts.

(Japanese inn segment)

During the consolidated fiscal year under review, the occupancy rate was low due to the impact of voluntary travel restrictions in Japan under the state of emergency declared by the Japanese government, but the occupancy rate centered on high-priced guest rooms continued on its recovering trajectory.

As a result, in the Japanese inn segment, net sales increased to ¥1,095 million (an increase of 10.1% compared with the previous consolidated fiscal year), and the segment posted a loss of ¥20 million (as against a loss of ¥39 million posted in the previous consolidated fiscal year).

(Other segments)

Net sales in other segments reached ¥56 million in the consolidated fiscal year (an increase of 17.9% compared with the previous consolidated fiscal year). Segment profit was ¥38 million (an increase of 40.1% compared with the previous consolidated fiscal year).

b) Forecast of the next fiscal year (ending March 31, 2023)

As for the future outlook, although the economy is anticipated to pick up due to the effects of various government policies and other factors, the impact of the new coronavirus infection, heightened global geopolitical risks, and continued sharp rises in raw material and crude oil prices will continue to influence the economy.

In this environment, the Group will enhance its growth potential as a company through a variety of initiatives, including aggressive purchasing with an emphasis on profitability, the adoption of IT-based sales methods, and the development of sales channels that accurately meet the needs of society and customers.

When considering the above, in the real estate development segment, we expect to sell 2,500 condominiums during the next fiscal year. When revenues from real estate management segment, construction segment, and Japanese inn segment are added to the above, the Company expects net sales of ¥85,000 million (an increase of 3.3% compared to the consolidated fiscal year under review) for the fiscal year ending March 2023.

On the other hand, for the profit, we anticipate an operating income of ¥7,500 million (a decrease of 17.5% compared with the consolidated fiscal year under review), ordinary income of ¥7,500 million (a decrease of 17.4% compared with the consolidated fiscal year under review), and a net income attributable to shareholders of parental company of ¥5,000 million yen (a decrease of 21.1% compared with the consolidated fiscal year under review) due to the expected increase in raw material prices to some extent in each segment and the expected increase in sales of existing condominium units in the real estate development business as customer needs increase.

Although uncertainties continue, rental demand in the Tokyo metropolitan area is expected to continue steadily in the future against the backdrop of an increase in single-person households. We will continue to develop and supply our corporate group's own brands of "Gala Condominium series" and "Gala Residence series," and to enhance the sales and service system.

The above forecasts are based on information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors. We will continue to carefully assess the impact on our group's business, and will promptly disclose any revisions if they become necessary.

(2) Overview of Financial Situation for the Current Fiscal Year

a) Situation of assets, liabilities, and net assets

(Assets)

At the end of the consolidated fiscal year under review, current assets were ¥70,008 million, a decrease of ¥2,668 million as compared with the end of the previous consolidated fiscal year. A major increase was cash and deposits by ¥12,456 million, real estate for sale in process by ¥2,612 million, while a major decrease was ¥14,927 million. Non-current assets recorded ¥12,651 million, an increase of ¥952 million as compared with the end of the previous consolidated fiscal year. This is mainly because the purpose for holding a portion of the real estate for sale was changed, which resulted in real estate for sale being reclassified as property, plant, and equipment. As a result, total assets were ¥82,659 million, a decrease of ¥1,715 million as compared with the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the consolidated fiscal year under review, current liabilities were ¥10,864 million, a decrease of ¥2,699 million as compared with the end of the previous consolidated fiscal year. A major increase was accrued consumption taxes by ¥924 million, income taxes payable by ¥858 million, while a major decrease was current portion of long-term loans payable by ¥3,632 million. Non-current liabilities recorded ¥12,878 million, a decrease of ¥4,063 million as compared with the end of the previous consolidated fiscal year. This is mainly caused by a decrease of ¥4,059 million in long-term loans payable. As a result, total liabilities were ¥23,742 million, a decrease of ¥6,763 million as compared with the end of the previous consolidated fiscal year.

(Net assets)

At the end of the consolidated fiscal year under review, total net assets were ¥58,917 million, an increase of ¥5,047 million as compared with the end of the previous consolidated fiscal year. A major increase was by ¥6,338 million in net income attributable to shareholders of parental company, while a major decrease was by ¥1,503 million in dividends of surplus. As a result, the shareholder's equity ratio was 71.3% (it was 63.8% at the end of the previous consolidated fiscal year).

b) Overview of cash flows for the current fiscal year

At the end of the consolidated fiscal year under review, cash and cash equivalents were ¥35,543 million, an increase of ¥12,547

million as compared with the end of the previous consolidated fiscal year.

For the consolidated fiscal year ended March 31, 2022, situation and variable factors of each cash flow were as follows:

(Cash flow from operating activities)

Funds acquired from operating activities totaled ¥22,215 million (the previous fiscal year amounted an income of ¥8,069 million). Major income consisted of a decrease in inventories of ¥10,985 million, ¥9,090 million in income before income taxes and a decrease in notes and accounts receivable-trade, and contract assets of ¥2,193 million, while a major expenditure resulted from ¥1,997 million in income taxes paid.

(Cash flow from investing activities)

Funds acquired from investing activities totaled ¥7 million (the previous fiscal year amounted an expenditure of ¥89 million).

(Cash flow from financing activities)

Funds used in financing activities totaled ¥9,675 million (the previous fiscal year amounted an expenditure of ¥6,780 million). A major income was ¥5,690 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 ¥13,382 million in repayments of long-term loans payable for completion of project and others, and ¥1,503 million in cash dividends paid.

Reference: Trends in cash flow indicators

	FY2018	FY2019	FY2020	FY2021	FY2022
Shareholders' equity ratio (%)	62.0	61.8	58.0	63.8	71.3
Shareholders' equity ratio based on market value (%)	44.3	38.4	30.8	43.5	39.1
Interest-bearing debt to cash flow ratio (%)	—	—	2,667.4	258.0	57.0
Interest coverage ratio (times)	—	—	16.4	81.6	267.4

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio based on market value: Market capitalization / Total assets

Interest-bearing debt to cash flow ratio: Interest-bearing debt / Operating cash flows

Interest coverage ratio: Operating cash flows / Interest payments

Notes: 1. All indices are calculated based on consolidated figures.

2. Market capitalization is calculated based on the number of shares outstanding (excluding treasury stock).

3. Cash flows are calculated using the figures for operating cash flows in the consolidated statements of cash flows.

4. Interest-bearing debt includes all debt on the consolidated balance sheets that incur interest.

5. Interest-bearing debt to cash flow ratio and interest coverage ratio for FY2018 and FY2019 have not been recorded as the cash flow from operating activities was negative.

(3) Basic Policies Regarding Profit Distribution and Dividends of the Current and Next Term

Returning the profit to shareholders is one of the most important tasks of our company's management. As such, our company's basic policy is to ensure continuous and stable distribution of earnings based on comprehensive consideration of factors such as financial balance and the internal reserves needed for active business development

Based on this policy, we carefully examined the operating results of the fiscal year under review and mid- and long-term business prospects in the following years. As a result, it is planned that the year-end dividend for ordinary dividend at the consolidated fiscal year under review (April 2021 to March 2022) will be 24 yen per share. The interim dividend of 24 yen per share had been already paid. Thus, the annual dividend is 48 yen per share. Furthermore, for the next consolidated fiscal year (April 2022 to March 2023), it is planned that the dividend will be 24 yen per share for both interim and year-end dividends (the annual dividend will be 48 yen per share).

2. Basic Approach to Selection of Accounting Standards

Our corporate group has prepared its consolidated financial statements based on Japanese standards, as we do not conduct operations or raise funds on the international stage.

3. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
ASSETS		
Current assets		
Cash and deposits	23,137	35,593
Notes and operating accounts receivable-trade	5,739	—
Notes and operating accounts receivable-trade, and contract assets	—	2,176
Real estate for sale	26,190	11,262
Real estate for sale in process	16,413	19,025
Costs on uncompleted construction contracts	17	5
Raw materials and supplies	47	28
Advance payments-trade	592	107
Other	540	1,809
Allowance for doubtful accounts	(1)	(1)
Total current assets	72,677	70,008
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,340	7,047
Accumulated depreciation	(1,138)	(1,384)
Buildings and structures, net	5,202	5,663
Land	4,604	5,169
Other	345	378
Accumulated depreciation	(270)	(301)
Other, net	74	77
Total property, plant and equipment	9,882	10,910
Intangible assets	37	44
Investments and other assets		
Investment securities	265	305
Deferred tax assets	793	782
Other	718	608
Total investments and other assets	1,778	1,696
Total non-current assets	11,698	12,651
Total assets	84,375	82,659

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,505	1,038
Short-term loans payable	480	—
Current portion of long-term loans payable	6,912	3,279
Accounts payable-other	476	504
Income taxes payable	812	1,670
Accrued consumption taxes	178	1,103
Deposits received	2,025	2,128
Provision for bonuses	255	276
Other	916	863
Total current liabilities	13,563	10,864
Non-current liabilities		
Long-term loans payable	13,423	9,363
Provision for directors' retirement benefits	939	816
Net defined benefit liabilities	712	795
Long-term lease and guarantee deposited	1,797	1,816
Long-term deposits received	69	86
Total non-current liabilities	16,942	12,878
Total liabilities	30,505	23,742
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	49,240	54,292
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	53,858	58,910
Accumulated other comprehensive income		
Valuation difference on marketable securities	13	34
Remeasurements of defined benefit plans	(1)	(27)
Total accumulated other comprehensive income	11	7
Total net assets	53,869	58,917
Total liabilities and net assets	84,375	82,659

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2021 ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022 ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	72,988	82,258
Cost of sales	55,882	62,518
Gross profit	17,105	19,739
Selling, general and administrative expenses		
Advertising expenses	1,469	1,790
Salaries, allowances and bonuses	3,120	3,470
Provision for bonuses	234	253
Retirement benefit expenses	70	89
Provision for directors' retirement benefits	52	54
Other	4,806	4,986
Total selling, general and administrative expenses	9,754	10,644
Operating income	7,351	9,095
Non-operating income		
Interest income	0	0
Dividend income	3	5
Penalty income	23	17
Compensation income	32	8
Subsidy income	47	19
Other	11	19
Total non-operating income	120	71
Non-operating expenses		
Interest expenses	98	82
Commission fee	36	2
Other	1	1
Total non-operating expenses	137	86
Ordinary income	7,334	9,080
Extraordinary income		
Gain on sale of non-current assets	—	10
Total extraordinary income	—	10
Income before income taxes	7,334	9,090
Income taxes-current	2,396	2,832
Income taxes-deferred	(45)	(80)
Total income taxes	2,351	2,751
Net income	4,983	6,338
Net income attributable to shareholders of parental company	4,983	6,338

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2021 ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022 ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net income	4,983	6,338
Other comprehensive income		
Valuation difference on marketable securities	11	21
Remeasurements of defined benefit plans, net of tax	(0)	(25)
Total of other comprehensive income	10	(4)
Comprehensive income	4,993	6,334
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	4,993	6,334
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Net Assets

FY2021 (Fiscal year ended March 31, 2021)

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance at the beginning of the period	2,774	3,054	45,695	(1,211)	50,313
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	2,774	3,054	45,695	(1,211)	50,313
Changes of items during the period					
Dividends of surplus			(1,438)		(1,438)
Net income attributable to shareholders of parental company			4,983		4,983
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	3,545	—	3,545
Balance at the end of the period	2,774	3,054	49,240	(1,211)	53,858

	Accumulated other comprehensive income			Total net assets
	Valuation difference on marketable securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the period	1	(1)	0	50,314
Cumulative effects of changes in accounting policies	—	—	—	—
Restated balance	1	(1)	0	50,314
Changes of items during the period				
Dividends of surplus				(1,438)
Net income attributable to shareholders of parental company				4,983
Net changes of items other than shareholders' equity	11	(0)	10	10
Total changes of items during the period	11	(0)	10	3,555
Balance at the end of the period	13	(1)	11	53,869

FY2022 (Fiscal year ended March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	2,774	3,054	49,240	(1,211)	53,858
Cumulative effects of changes in accounting policies	—	—	216	—	216
Restated balance	2,774	3,054	49,456	(1,211)	54,074
Changes of items during the period					
Dividends of surplus			(1,503)		(1,503)
Net income attributable to shareholders of parental company			6,338		6,338
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	4,835	—	4,835
Balance at the end of the period	2,774	3,054	54,292	(1,211)	58,910

	Accumulated other comprehensive income			Total net assets
	Valuation difference on marketable securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at the beginning of the period	13	(1)	11	53,869
Cumulative effects of changes in accounting policies	—	—	—	216
Restated balance	13	(1)	11	54,086
Changes of items during the period				
Dividends of surplus				(1,503)
Net income attributable to shareholders of parental company				6,338
Net changes of items other than shareholders' equity	21	(25)	(4)	(4)
Total changes of items during the period	21	(25)	(4)	4,831
Balance at the end of the period	34	(27)	7	58,917

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2021 ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	FY2022 ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Income before income taxes	7,334	9,090
Depreciation	378	404
Increase (decrease) in allowance for doubtful accounts	(10)	(0)
Increase (decrease) in provision for bonuses	(25)	20
Increase (decrease) in provision for directors' retirement benefits	50	(123)
Increase (decrease) in net defined benefit liabilities	38	43
Interest and dividend income	(4)	(6)
Interest expenses	98	82
Gain on sale of non-current assets	—	(10)
Decrease (increase) in notes and accounts receivable-trade	(996)	—
Decrease (increase) in notes and accounts receivable-trade, and contract assets	—	2,193
Decrease (increase) in inventories	4,559	10,985
Increase (decrease) in notes and accounts payable-trade	232	(467)
Decrease (increase) in advances payments	(505)	484
Increase (decrease) in advances received	2	254
Increase (decrease) in lease and guarantee deposits received	83	19
Increase (decrease) in accrued consumption taxes	(192)	924
Other, net	510	392
Subtotal	11,554	24,289
Interest and dividend income received	4	6
Interest expenses paid	(97)	(81)
Income taxes paid	(3,392)	(1,997)
Net cash provided by operating activities	8,069	22,215
Cash flows from investing activities		
Purchase of property, plant and equipment	(201)	(86)
Proceeds from sale of property, plant and equipment	—	28
Purchase of intangible assets	—	(10)
Purchase of investment securities	(6)	(108)
Proceeds from redemption of investment securities	—	100
Decrease (increase) of time deposits	191	90
Other, net	(72)	(8)
Net cash provided by (used in) investing activities	(89)	7
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(650)	(480)
Proceeds from long-term loans payable	11,460	5,690
Repayments of long-term loans payable	(16,152)	(13,382)
Cash dividends paid	(1,438)	(1,503)
Net cash used in financing activities	(6,780)	(9,675)
Net increase (decrease) in cash and cash equivalents	1,199	12,547
Cash and cash equivalents at the beginning of the period	21,796	22,996
Cash and cash equivalents at the end of the period	22,996	35,543

(5) Notes Regarding Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Changes in Accounting Policies)

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

From the beginning of the current consolidated 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 current consolidated fiscal year is added to or subtracted from the retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy is applied from the balance at the beginning of the current consolidated fiscal year 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 current consolidated 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 current consolidated 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 the current consolidated 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 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 the current consolidated 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.

(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 current consolidated 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.

(Additional Information)

(Change in Purpose for Holding)

During the the current consolidated fiscal year, 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)

(Segment information)

I Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

1. Overview of reported segments

It is possible to obtain separate financial information for our corporate group’s reported segments from among the constituent units of our company. This information is subject to periodic review by the Board of Directors in order to make decisions regarding the distribution of management assets and to evaluate business performance.

The four reported segments are composed of a real estate development segment which is conducted by our company, a real estate management segment conducted by FJ Community Co., Ltd., a construction segment conducted by Resitec Co., Ltd., and a Japanese inn segment conducted by our company and FJ Resort Management Co., Ltd.

The real estate development segment mainly performs the development, sales, brokering and leasing of one-room condominiums and family condominiums in the Tokyo metropolitan area, as well as real estate activities in the Izu region. The real estate management segment mainly performs leasing management for condominium owners and subcontracting of property management from management unions. The construction segment performs design, construction, inspection and renovation of buildings such as condominiums. The Japanese inn section runs the “Ito Yuki Tei,” “Ito Yuki Tei Kawana Bettei,” “Gyokuhokan” and “Seiryuso” hot-spring inns in the Izu area of Shizuoka Prefecture.

2. Method of calculating sales, profit or loss, assets, and other items for reported segments

The accounting methods used for the reported business segments are basically the same as the methods listed in “Important

items forming a basis for the creation of financial statements.”
The segment profit as reported is a figure based on operating income.
Inter-segment sales or exchange are based on prevailing market prices.

3. Information on the amount of sales, profit, assets, and other items for reported segments

(Millions of yen)

	Reported segment					Other segments (Note) 1	Total	Adjustment (Note) 2	Amounts shown on Consolidated Financial Statements (Note) 3
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Subtotal				
Net sales									
Net sales to external customers	62,540	3,162	6,243	994	72,941	47	72,988	—	72,988
Inter-segment sales or exchange	16	457	186	11	672	—	672	(672)	—
Total	62,557	3,619	6,429	1,006	73,613	47	73,661	(672)	72,988
Segment profit (loss)	5,869	898	592	(39)	7,321	27	7,348	2	7,351
Segment assets	71,230	6,102	5,236	1,842	84,411	1,650	86,062	(1,686)	84,375
Other items									
Depreciation	283	4	0	92	380	0	380	(2)	378
Increase (decrease) in property, plant and equipment and intangible assets	8,398	0	—	150	8,549	—	8,549	(3)	8,546

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

2. Details for adjusted amounts are listed below.

Segment profit (Millions of yen)

Elimination of inter-segment transactions	57
Company-wide expenses	(52)
Adjustments of inter-segment inventories and non-current assets	(2)
Total	2

Segment assets (Millions of yen)

Elimination of inter-segment transactions	(1,657)
Adjustments of inventories and non-current assets	(29)
Total	(1,686)

Depreciation (Millions of yen)

Adjustments of non-current assets	(2)
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Increase (decrease) in property, plant and equipment and intangible assets (Millions of yen)

Adjustments of non-current assets	(3)
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3. Segment profit is adjusted with operating income in the consolidated statement of income.

II Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

1. Overview of reported segments

It is possible to obtain separate financial information for our corporate group's reported segments from among the constituent units of our company. This information is subject to periodic review by the Board of Directors in order to make decisions regarding the distribution of management assets and to evaluate business performance.

The four reported segments are composed of a real estate development segment which is conducted by our company and FJ Next, Co., Ltd., a real estate management segment conducted by FJ Community Co., Ltd., a construction segment conducted by Resitec Co., Ltd., and a Japanese inn segment conducted by our company and FJ Resort Management Co., Ltd.

The real estate development segment mainly performs the development, sales, brokering and leasing of one-room condominiums and family condominiums in the Tokyo metropolitan area, as well as real estate activities in the Izu region. The real estate management segment mainly performs leasing management for condominium owners and subcontracting of property management from management unions. The construction segment performs design, construction, inspection and renovation of buildings such as condominiums. The Japanese inn section runs the "Ito Yuki Tei," "Ito Yuki Tei Kawana Bettei," "Gyokuhokan" and "Seiryuso" hot-spring inns in the Izu area of Shizuoka Prefecture.

2. Method of calculating sales, profit, assets, and other items for reported segments

The accounting methods used for the reported business segments are basically the same as the methods listed in "Important items forming a basis for the creation of financial statements."

The segment profit as reported is a figure based on operating income.

Inter-segment sales or exchange are based on prevailing market prices.

3. Information on the amount of sales, profit or loss, assets, and other items for reported segments

(Millions of yen)

	Reported segment					Other segments (Note) 1	Total	Adjustment (Note) 2	Amounts shown on Consolidated Financial Statements (Note) 3
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Subtotal				
Net sales									
Newly-built condominiums	39,766	—	—	—	39,766	—	39,766		39,766
Previously-owned condominiums	25,174	—	—	—	25,174	—	25,174		25,174
Other	267	3,152	5,371	1,095	9,887	—	9,887		9,887
Revenue from contracts with customers	65,208	3,152	5,371	1,095	74,828	—	74,828		74,828
Other revenue (Note) 4	7,040	332	—	—	7,373	56	7,429		7,429
Net sales to external customers	72,249	3,485	5,371	1,095	82,201	56	82,258		82,258
Inter-segment sales or exchange	15	426	148	15	605	—	605	(605)	—
Total	72,264	3,912	5,520	1,110	82,807	56	82,863	(605)	82,258
Segment profit (loss) (Note) 5	7,536	882	646	(20)	9,044	38	9,083	11	9,095
Segment assets	70,547	6,287	4,093	1,800	82,728	1,776	84,505	(1,845)	82,659
Other items									
Depreciation	306	3	0	95	406	0	406	(1)	404
Increase (decrease) in property, plant and equipment and intangible assets	1,322	2	—	14	1,339	—	1,339	(2)	1,337

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

2. Details for adjusted amounts are listed below.

Segment profit

(Millions of yen)

Elimination of inter-segment transactions	153
Company-wide expenses	(146)
Adjustments of inter-segment inventories and non-current assets	5
Total	11

Segment assets		(Millions of yen)
Elimination of inter-segment transactions		(1,821)
Adjustments of inter-segment inventories and non-current assets		(23)
Total		(1,845)

Depreciation		(Millions of yen)
Adjustments of non-current assets		(1)

Increase (decrease) in property, plant and equipment and intangible assets		(Millions of yen)
Adjustments of non-current assets		(2)

3. Segment profit is adjusted with operating income in the 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.

4. 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 current consolidated fiscal year, 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 current consolidated fiscal year are prepared and disclosed based on the reported segments as used after the above changes.

(Notes on Business Combinations, etc.)

(Transactions under common control, 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.