

August 3, 2022

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2023 [Japanese Standards] (Consolidated)

Company name: FJ Next Holdings Co., Ltd. Stock listing: Tokyo Stock Exchange
 Securities code: 8935 URL: <https://www.fjnext-hd.co.jp>
 Representative: Atsushi Nagai, President and CEO TEL: +81-3-6733-7711
 Inquiries: Tatsumi Yamamoto, Executive Officer / Headquarters, Administration Division
 Date of filing of quarterly report: August 3, 2022 Date of commencement of dividend payment: —
 The supplementary explanation document for the first-quarter of accounts is created. No
 The briefing for the first-quarter of accounts is held. No

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Quarter of Fiscal Year Ending March 31, 2023 (From April 1, 2022 to June 30, 2022)

(1) Consolidated Operating Results (Cumulative)

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parental Company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q/ FY ending March 31, 2023	17,926	(2.1)	1,428	(12.5)	1,424	(12.8)	958	(13.5)
1Q/ FY ended March 31, 2022	18,303	49.3	1,633	91.8	1,633	97.5	1,108	115.4

(Note)

Comprehensive income:

1Q/ FY ending March 31, 2023: ¥967 million (-13.4%)

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

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
1Q/ FY ending March 31, 2023	29.34	—
1Q/ FY ended March 31, 2022	33.91	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2022	79,869	59,100	74.0	1,808.16
As of March 31, 2022	82,659	58,917	71.3	1,802.55

(Reference)

Shareholders' equity:

As of June 30, 2022: ¥59,100 million

As of March 31, 2022: ¥58,917 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, 2022	—	24.00	—	24.00	48.00
FY ending March 31, 2023	—				
FY ending March 31, 2023 (Forecast)		24.00	—	24.00	48.00

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

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 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

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

*Notes

(1) Changes in major subsidiaries during this three-month period ended June 30, 2022 (changes in specific subsidiaries affecting the scope of consolidation): No

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

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

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

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

2) Changes other than 1): No

3) Changes in accounting estimates: No

4) Restatements: No

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at term-end (including treasury stock)	Three months ended June 30, 2022	34,646,500 shares	FY ended March 31, 2022	34,646,500 shares
2) Amount of treasury stock at term-end	Three months ended June 30, 2022	1,961,157 shares	FY ended March 31, 2022	1,961,157 shares
3) Amount of average stock during term (Quarter accumulation)	Three months ended June 30, 2022	32,685,343 shares	Three months ended June 30, 2021	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.

Table of Contents of the appendix

1. Qualitative Information Regarding the Consolidated Financial Results in the First Quarter	- 2 -
(1) Explanation of Operating Results	- 2 -
(2) Explanation of Financial Position	- 3 -
(3) Explanation of Future Forecasts Such as the Forecast of Consolidated Operating Results	- 4 -
2. Consolidated Financial Statements and Important Notes	- 5 -
(1) Consolidated Balance Sheets in the First Quarter	- 5 -
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	- 7 -
Quarterly Consolidated Statement of Income	- 7 -
(For the Three-Month Consolidation Period)	- 7 -
Quarterly Consolidated Statement of Comprehensive Income	- 8 -
(For the Three-Month Consolidation Period)	- 8 -
(3) Notes Regarding Quarterly Consolidated Financial Statements	- 9 -
(Notes Regarding Going Concern)	- 9 -
(Changes to the Scope of Consolidation and Application of the Equity Method)	- 9 -
(Changes in Accounting Policies)	- 9 -
(Notes in Event of Significant Changes in Shareholders' Equity)	- 9 -
(Additional Information)	- 9 -
(Segment Information)	- 10 -
(Related to Recognition of Revenue)	- 11 -

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

(1) Explanation of Operating Results

During this three-month consolidated period (1Q for the fiscal year ending March 31, 2023), 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 based on the effect of various measures by the government. 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 prolonged situation in Ukraine and the suppression of economic activities in China. The future outlook remains uncertain.

Regarding the condominium marketplace in the Tokyo metropolitan area, the number of new condominiums offered during the first half of 2022 (January to June) decreased by 4.2% from the same period of last year to 12,716 units. This was the first time in two years that the number of units offered in the first half of the year decreased. On the other hand, purchase demand trended firm. The average rate of first-month contracts consummated during the same period was 72.1%, 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, it is necessary to remain cautious regarding impact caused by subsequent waves of COVID-19.

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

As a result, net sales were ¥17,926 million (a decrease of 2.1% compared with the same period of the previous fiscal year (YOY)), operating income amounted ¥1,428 million (a decrease of 12.5% YOY), and ordinary income was ¥1,424 million (a decrease of 12.8% YOY). Furthermore, net income attributable to shareholders of parental company totaled ¥958 million (a decrease of 13.5% YOY).

The operating results for each business segment are as follows:

From the third quarter of the previous consolidated fiscal year, the Company has implemented 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 cumulative first quarter under review, we focused on the sales of new properties such as Gala Station Yokohama Mitsuzawa, and also actively conducted sales of pre-owned condominiums.

As a result, net sales were ¥2,287 million for newly built condominiums (101 units), ¥11,816 million for pre-owned condominiums (479 units), ¥1,649 million for real estate rental income, and ¥40 million from other income sources. Therefore, the total net sales in the segment reached ¥15,795 million (an increase of 0.2% YOY) and the segment profit was ¥1,177 million (a decrease of 6.7% YOY).

Breakdown of net sales, etc.

Category	Three-month consolidation period ended June 30, 2021 (Apr. 1, 2021 – June 30, 2021)			Three-month consolidation period ended June 30, 2022 (Apr. 1, 2022 – June 30, 2022)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	324	8,219	204.9	101	2,287	27.8
Gala Residence series	12	589	—	0	—	—
Pre-owned condominiums	208	5,086	121.6	479	11,816	232.3
Real estate rental income	—	1,848	105.9	—	1,649	89.3
Other income	—	26	431.5	—	40	154.6
Total	544	15,770	158.6	580	15,795	100.2

(Note) The aggregation categories have been changed from the previous consolidated fiscal year, and in order to facilitate comparison, the figures for the first quarter of the previous consolidated fiscal year have been recalculated and listed according to the changed aggregation categories.

(Real estate management segment)

During the consolidated cumulative first quarter under review, as the result of new managed properties that were developed by the corporate group, the number of managed units for leasing reached 17,396 and the number of buildings managed reached 330. As a result, net sales in the real estate management segment were ¥873 million (an increase of 4.7% YOY), and segment profit was ¥206 million (a decrease of 7.3% YOY).

(Construction segment)

During the consolidated cumulative first quarter under review, construction work carried over from the previous consolidated fiscal year progressed steadily. On the other hand, net sales and income decreased compared to the same period of the previous consolidated fiscal year due to the reactionary downturn caused by fewer completed construction contracts, and due to a decreased profit rate of completed construction contracts in conjunction with rising raw materials prices.

As a result, net sales in the construction segment were ¥969 million (a decrease of 34.1% YOY), and segment profit was ¥59 million (a decrease of 67.5% YOY).

(Japanese inn segment)

During the consolidated cumulative first quarter under review, compared to the same period of the previous year, which was affected by the declaration of a state of emergency, the room occupancy rates remained on a recovery basis due to progress in vaccinations and the creation of demand for short-distance travel by Tourism Demand Stimulus Program "the Kenmin Wari (Prefectural Residents Discount)".

As a result, net sales in the Japanese inn segment increased to ¥274 million (an increase of 28.1% YOY), and the segment posted a loss of ¥25 million (compared to a segment loss of ¥45 million in the same period of the previous fiscal year).

(Other segments)

Net sales in other segments were ¥13 million in the first quarter of the fiscal year ending March 31, 2023 (a decrease of 2.9% YOY). Segment profit was ¥9 million (a decrease of 2.5% YOY).

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

(2) Explanation of Financial Position

(Assets)

At the end of the consolidated first quarter under review, current assets were ¥67,460 million, a decrease of ¥2,548 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥1,629 million in real estate for sale in process, while a major decrease was ¥3,395 million in real estate for sale. Non-current assets recorded ¥12,409 million, a decrease of ¥241 million as compared with the end of the previous consolidated fiscal year.

As a result, total assets were ¥79,869 million, a decrease of ¥2,789 million as compared with the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the consolidated first quarter under review, current liabilities were ¥9,359 million, a decrease of ¥1,504 million as compared with the end of the previous consolidated fiscal year. This is mainly caused by a decrease of ¥1,463 million in income taxes payable. Non-current liabilities recorded ¥11,409 million, a decrease of ¥1,468 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable decreased by ¥1,489 million.

As a result, total liabilities were ¥20,769 million, a decrease of ¥2,973 million as compared with the end of the previous consolidated fiscal year.

(Net assets)

At the end of the consolidated first quarter under review, total net assets were ¥59,100 million, an increase of ¥183 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥958 million in net income attributable to shareholders of parental company, while a major decrease was ¥784 million in dividends of surplus.

As a result, the equity ratio was 74.0% (it was 71.3% 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, 2023, there has been no change to the forecasted numbers listed in the “Summary of Financial Results for the Fiscal Year Ended March 31, 2022” that was released on May 13, 2022.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets in the First Quarter

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
ASSETS		
Current assets		
Cash and deposits	35,593	35,108
Notes and operating accounts receivable-trade, and contract assets	2,176	1,701
Real estate for sale	11,262	7,867
Real estate for sale in process	19,025	20,655
Costs on uncompleted construction contracts	5	14
Raw materials and supplies	28	29
Advance payments-trade	107	222
Other	1,809	1,860
Allowance for doubtful accounts	(1)	(1)
Total current assets	70,008	67,460
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,047	7,047
Accumulated depreciation	(1,384)	(1,446)
Buildings and structures, net	5,663	5,600
Land	5,169	5,169
Other	378	379
Accumulated depreciation	(301)	(308)
Other, net	77	70
Total property, plant and equipment	10,910	10,841
Intangible assets	44	43
Investments and other assets		
Investment securities	305	316
Deferred tax assets	782	599
Other	608	608
Total investments and other assets	1,696	1,524
Total non-current assets	12,651	12,409
Total assets	82,659	79,869

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,038	761
Current portion of long-term loans payable	3,279	3,719
Accounts payable-other	504	675
Income taxes payable	1,670	206
Accrued consumption taxes	1,103	410
Deposits received	2,128	2,437
Provision for bonuses	276	86
Other	863	1,061
Total current liabilities	10,864	9,359
Non-current liabilities		
Long-term loans payable	9,363	7,873
Provision for directors' retirement benefits	816	830
Net defined benefit liabilities	795	810
Long-term lease and guarantee deposited	1,816	1,808
Long-term deposits received	86	87
Total non-current liabilities	12,878	11,409
Total liabilities	23,742	20,769
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	54,292	54,466
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	58,910	59,084
Accumulated other comprehensive income		
Valuation difference on marketable securities	34	42
Remeasurements of defined benefit plans	(27)	(26)
Total accumulated other comprehensive income	7	15
Total net assets	58,917	59,100
Total liabilities and net assets	82,659	79,869

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Three-Month Consolidation Period)

(Millions of yen)

	1Q/ FY ended March 31, 2022 (Apr. 1, 2021 - June 30, 2021)	1Q/ FY ending March 31, 2023 (Apr. 1, 2022 - June 30, 2022)
Net sales	18,303	17,926
Cost of sales	13,804	13,989
Gross profit	4,499	3,937
Selling, general and administrative expenses		
Advertising expenses	521	381
Salaries, allowances and bonuses	814	866
Provision for bonuses	72	76
Retirement benefit expenses	21	26
Provision for directors' retirement benefits	12	13
Other	1,423	1,143
Total selling, general and administrative expenses	2,866	2,508
Operating income	1,633	1,428
Non-operating income		
Interest income	0	0
Dividend income	2	0
Penalty income	5	1
Compensation income	8	-
Subsidy income	2	3
Other	4	1
Total non-operating income	23	6
Non-operating expenses		
Interest expenses	23	11
Other	0	-
Total non-operating expenses	23	11
Ordinary income	1,633	1,424
Extraordinary income		
Gain on sale of non-current assets	10	-
Total extraordinary income	10	-
Income before income taxes	1,643	1,424
Income taxes-current	429	286
Income taxes-deferred	105	178
Total income taxes	535	465
Net income	1,108	958
Net income attributable to shareholders of parental company	1,108	958

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

(Millions of yen)

	1Q/ FY ended March 31, 2022 (Apr. 1, 2021 - June 30, 2021)	1Q/ FY ending March 31, 2023 (Apr. 1, 2022 - June 30, 2022)
Net income	1,108	958
Other comprehensive income		
Valuation difference on marketable securities	8	7
Remeasurements of defined benefit plans, net of tax	0	1
Total of other comprehensive income	8	8
Comprehensive income	1,117	967
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	1,117	967
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)

None.

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Implementation Guidance on Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan (ASBJ) Guidance No. 31, June 17, 2021) of the Japanese generally accepted accounting principles (J-GAAP) (hereinafter “Implementation Guidance on Accounting Standard for Fair Value Measurement”) is applied from the beginning of the consolidated first quarter under review. In accordance with the stipulations on transitional handling in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policy stipulated in Implementation Guidance on Accounting Standard for Fair Value Measurement 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.

(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 first quarter of the consolidated fiscal year under review 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 COVID-19 spreads further, resulting in restrictions on the Company’s business activities, the financial statements for the second quarter onward may be impacted.

(Accounting treatment associated with group tax sharing system)

The Company and its consolidated subsidiaries make the transition from the non-consolidated taxation system to the group tax sharing system from the consolidated first quarter.

In accordance with this change, the company apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No.42, issued on August 12, 2021)for disclosure of corporate tax, local corporate tax and tax effect accounting .

(Segment Information)

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

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

(Millions of yen)

	Reported segment					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	8,809	-	-	-	8,809	-	8,809	-	8,809
Previously- owned condominiums	5,086	-	-	-	5,086	-	5,086	-	5,086
Other	26	739	1,470	214	2,450	-	2,450	-	2,450
Revenue from contracts with customers	13,922	739	1,470	214	16,346	-	16,346	-	16,346
Other revenue (Note) 4	1,848	94	-	-	1,942	14	1,957	-	1,957
Net sales to external customers	15,770	833	1,470	214	18,289	14	18,303	-	18,303
Inter-segment sales or exchange	3	104	34	4	147	-	147	(147)	-
Total	15,773	938	1,505	219	18,437	14	18,451	(147)	18,303
Segment profit (loss)	1,261	222	183	(45)	1,621	9	1,631	2	1,633

(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 ¥2 million includes ¥14 million in elimination of inter-segment transactions, Company-wide expenses not allocated to reported segments of negative ¥12 million and adjustment of inventories and non-current assets of ¥0 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 is mainly real estate rental income.

II. For the Three Months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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

(Millions of yen)

	Reported segment					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	2,287	-	-	-	2,287	-	2,287	-	2,287
Previously-owned condominiums	11,816	-	-	-	11,816	-	11,816	-	11,816
Other	40	811	969	274	2,097	-	2,097	-	2,097
Revenue from contracts with customers	14,145	811	969	274	16,201	-	16,201	-	16,201
Other revenue (Note) 4	1,649	61	-	-	1,711	13	1,725	-	1,725
Net sales to external customers	15,795	873	969	274	17,913	13	17,926	-	17,926
Inter-segment sales or exchange	3	100	10	5	118	-	118	(118)	-
Total	15,798	973	979	279	18,032	13	18,045	(118)	17,926
Segment profit (loss)	1,177	206	59	(25)	1,417	9	1,426	2	1,428

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

2. The adjustment of segment profit or loss of 2 million yen includes negative ¥337 million in elimination of inter-segment transactions, company-wide revenue of ¥400 million and company-wide expenses of ¥60 million not allocated to each reported segments, and adjustment of inventories and non-current assets of ¥0 million. The elimination of inter-segment transactions mainly consists of the elimination of dividends from consolidated subsidiaries to the Company, Company-wide revenue is mainly the dividend income stated above, and Company-wide expenses are mainly 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 is mainly real estate rental income.

(Related to Recognition of Revenue)

The breakdown of revenue from contracts with customers is as listed in "Notes (Segment Information)."