

Summary of Financial Results for the Fiscal Year Ended March 31, 2023 [Japan Standards] (Consolidated)

Company name:	FJ Next Holdings Co., Ltd.	Stock listing:	Tokyo Stock Exchange
Securities code:	8935	URL:	https://www.fjnext-hd.co.jp
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Date of general meeting of shareholders:	June 22, 2023	Date of commencement of dividend payment:	June 23, 2023
Date of filing of securities report:	June 23, 2023		
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, 2023 (From April 1, 2022 to March 31, 2023)

(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 2023	84,688	3.0	8,250	(9.3)	8,219	(9.5)	5,621	(11.3)
FY ended March 2022	82,258	12.7	9,095	23.7	9,080	23.8	6,338	27.2

(Note)

Comprehensive income

FY ended March 31, 2023: ¥5,674 million (-10.4%)

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

	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 2023	171.97	—	9.2	9.6	9.7
FY ended March 2022	193.93	—	11.2	10.9	11.1

(Reference)

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

FY ended March 31, 2023: ¥ — million

FY ended March 31, 2022: ¥ — 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, 2023	88,938	63,022	70.9	1,928.17
As of March 31, 2022	82,659	58,917	71.3	1,802.55

(Reference)

Shareholders' equity: As of March 31, 2023: ¥63,022 million

As of March 31, 2022: ¥58,917 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 2023	(4,534)	1,933	(738)	32,204
FY ended March 2022	22,215	7	(9,675)	35,543

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 2022	—	24.00	—	24.00	48.00	1,568	24.8	2.8
FY ended March 2023	—	24.00	—	24.00	48.00	1,568	27.9	2.6
FY ending March 2024 (Forecast)	—	24.00	—	24.00	48.00		31.4	

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(% 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	93,000	9.8	7,500	(9.1)	7,500	(8.8)	5,000	(11.0)	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, 2023: 34,646,500 shares
 - As of March 31, 2022: 34,646,500 shares
 - 2) Amount of treasury stock at term-end
 - As of March 31, 2023: 1,961,157 shares
 - As of March 31, 2022: 1,961,157 shares
 - 3) Amount of average stock during term
 - As of March 31, 2023: 32,685,343 shares
 - As of March 31, 2022: 32,685,343 shares

Reference: Non-consolidated Operating Results

1. Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(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 2023	38,076	(36.7)	6,089	(5.0)	6,086	(10.5)	4,330	(11.4)
FY ended March 2022	60,193	(3.9)	6,412	10.8	6,799	10.4	4,888	11.9

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
FY ended March 2023	132.48	—
FY ended March 2022	149.57	—

(Note) We have shifted to a shareholding company system on October 1, 2021, and FJ Next Co. Ltd. has inherited our real estate development business.

(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, 2023	62,255	55,879	89.8	1,709.61
As of March 31, 2022	66,348	53,079	80.0	1,623.96

(Reference)

Shareholders' equity: As of March 31, 2023: ¥55,879 million
As of March 31, 2022: ¥53,079 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)

A video version of the financial results briefing and explanatory documents the end of March 2023 year under review will be published on our company's website .

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 period under review, the Japanese economy in which the FJ Next Group operates staged a hesitant recovery. As socioeconomic activity advanced alongside responses to the COVID-19 pandemic, various government policies demonstrated effects. Against this background, though sluggishness persisted in some areas of the economy, a gradual recovery was observed. On the global stage, economic activity slackened amid trends such as continuing monetary tightening, fluctuations in financial capital markets and rising prices. Continued attention must be paid to the risk that these worldwide developments may put downward pressure on the Japanese economy.

In the market for condominiums in the Tokyo metropolitan area, factors such as high prices for construction materials and building plots drove the number of newly supplied units down 12.9% from the previous consolidated to just 28,632. On the other hand, purchase demand remained firm, with the average first-month contract rate for the same period being 70.7%, surpassing 70%, which is said to be a good indicator, for the second year in a row. (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.

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 order to respond to changes in social conditions, we have strived to promote our business while using various sales methods such as holding web seminars and online business negotiations.

As a result, net sales were ¥84,688 million (an increase of 3.0% compared with the previous consolidated fiscal year), operating income amounted ¥8,250 million (a decrease of 9.3% compared with the previous consolidated fiscal year), and ordinary income was ¥8,219 million (a decrease of 9.5% compared with the previous consolidated fiscal year). Furthermore, net income attributable to shareholders of parental company totaled ¥5,621 million (a decrease of 11.3% compared with the previous consolidated fiscal year).

The operating results for each business segment are as follows:

(Real estate development segment)

During the consolidated fiscal year under review, we focused on the sales of newly constructed condominiums such as the "Gala Prime Yokohama-Kannai," "Gala Grandy Fukagawa-Sumiyoshi," and "Gala Residence Hibarigaoka," and also actively conducted sales of pre-owned condominiums.

As a result, net sales were ¥27,748 million for newly built condominiums (948 units), ¥40,410 million for pre-owned condominiums (1,613 units), 6,553 million for real estate rental income, and ¥213 million from other income sources. Therefore, the total net sales in the segment reached ¥74,925 million (an increase of 3.7% compared with the previous consolidated fiscal year) and the segment profit was ¥7,064 million (a decrease of 6.3% compared with the previous consolidated fiscal year).

Breakdown of net sales, etc.

Category	Consolidated fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)			Consolidated fiscal year ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	1,201	30,309	116.5%	721	18,583	61.3%
Gala Residence series	230	9,456	121.0%	227	9,164	96.9%
Pre-owned condominiums	1,025	25,174	117.2%	1,613	40,410	160.5%
Real estate rental income	—	7,040	99.8%	—	6,553	93.1%
Other income	—	267	149.0%	—	213	80.0%
Total	2,456	72,249	115.5%	2,561	74,925	103.7%

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

(Real estate management segment)

During the consolidated fiscal year under review, as the result of new managed properties and acceptance of outside orders for projects that were developed by the corporate group, the number of managed properties were 18,185 and the number of buildings managed were 346.

As a result, net sales in the real estate management segment were ¥3,652 million (an increase of 4.8% compared with the previous consolidated fiscal year), and segment profit was ¥948 million (an increase of 7.5% compared with the previous consolidated fiscal year).

(Construction segment)

During the consolidated fiscal year under review, completed construction projects declined, dropping both sales and income below the figures for the previous consolidated fiscal year.

As a result, net sales in the construction segment were ¥4,777 million (a decrease of 11.1% compared with the previous consolidated fiscal year), and segment profit was ¥148 million (a decrease of 77.1% compared with the previous consolidated fiscal year).

(Japanese inn segment)

During the consolidated fiscal year under review, National Travel Support, a national-government measure to stimulate tourist demand, played a part in raising room occupancy rates and average prices above the levels of the same period of the previous consolidated fiscal year.

As a result, in the Japanese inn segment, net sales increased to ¥1,279 million (an increase of 16.8% compared with the previous consolidated fiscal year), and the segment posted a profit of ¥47 million (as against a loss of ¥20 million posted in the previous consolidated fiscal year).

(Other segments)

Net sales in other segments reached ¥53 million in the consolidated fiscal year (a decrease of 4.1% compared with the previous consolidated fiscal year). Segment profit was ¥35 million (a decrease of 6.3% compared with the previous consolidated fiscal year).

b) Forecast of the next fiscal year (ending March 31, 2024)

In its forecast for the next fiscal year, the Group expects the economy to rebound. Though the braking effects of worldwide monetary tightening and rising prices are causes for concern, the economy will benefit from various government measures.

In view of these conditions, the Group will carry out a range of measures to boost its capacity for enterprise growth. We will source proactively with a keen eye on profitability, open up sales channels with due consideration of social and customer needs, and promotion of Digital Transformation.

When considering the above, in terms of sales, we plan to sell 2,500 condominium units in our mainstay real estate development business, which is the same level as in the current consolidated fiscal year though the number of units sold for “Gala Residence series” which are condominiums designed for families under our own brand is increasing. In addition, we expect an increase in the number of completed construction projects in the construction business, and we are planning sales of 93,000 million (an increase of 9.8% compared to the fiscal year under review) for the fiscal year ending March 2024.

In earnings terms, the Group forecasts operating income of ¥7,500 million (a decrease of 9.1% compared with the previous consolidated fiscal year), ordinary income of ¥7,500 million (a decrease of 8.8% compared with the previous consolidated fiscal year) and net income attributable to shareholders of parental company of ¥5,000 million (a decrease of 11.0% compared with the previous consolidated fiscal year). Expected contributing factors include a certain degree of increase on prices of raw materials in each segment and increased sales ratio of pre-owned condominium units due to rising customer needs in the real estate development segment.

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 forecast of business results outlined above was prepared based on information available on the date of publication of this document. Actual business results may differ from the forecast figures due to a wide range of 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 ¥76,595 million, an increase of ¥6,586 million as compared with the end of the previous consolidated fiscal year. A major increase was real estate for sale in process by ¥7,463 million, notes and operating accounts receivable-trade, and contract assets by ¥1,890 million, while a major decrease was Cash and deposits by ¥3,339 million. Non-current assets recorded ¥12,343 million, a decrease of ¥307 million as compared with the end of the previous consolidated fiscal year. Key factors include a decrease in deferred tax assets of ¥532 million in tandem with the Group’s acquisition of Ito Ippeki Management Services Co., Ltd. As a result, total assets were ¥88,938 million, an increase of ¥6,278 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 ¥13,210 million, an increase of ¥2,345 million as compared with the end of the previous consolidated fiscal year. A major increase was current portion of long-term loans payable by ¥2,540 million, while a major decrease was accrued consumption taxes by ¥739 million. Non-current liabilities recorded ¥12,705 million, a decrease of ¥172 million as compared with the end of the previous consolidated fiscal year. The main increase was an increase of ¥1,354 million in provision incurred from business combination in connection with the Group’s acquisition of Ito Ippeki Management Services Co., Ltd. The main decrease was a decrease of ¥1,710 million in current portion of long-term loans payable. As a result, total liabilities were ¥25,915 million, an increase of ¥2,173 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 ¥63,022 million, an increase of ¥4,105 million as compared with the end of the previous consolidated fiscal year. A major increase was by ¥5,621 million in net income attributable to shareholders of parental company, while a major decrease was by ¥1,568 million in dividends of surplus. As a result, the shareholder’s equity ratio was 70.9% (it was 71.3% 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 ¥32,204 million, a decrease of ¥3,339 million as compared with the end of the previous consolidated fiscal year.

For the consolidated fiscal year ended March 31, 2023, situation and variable factors of each cash flow were as follows:

(Cash flow from operating activities)

Funds used in operating activities totaled ¥4,534 million (the previous fiscal year amounted an income of ¥22,215 million). A major income was ¥8,248 million in income before income taxes, and major expenditures consisted of an increase in inventories of ¥7,718 million, ¥3,064 million in income taxes paid, an increase in notes and accounts receivable-trade, and contract assets of ¥1,880 million and a decrease in Accrued consumption taxes of ¥1,424 million.

(Cash flow from investing activities)

Funds acquired from investing activities totaled ¥1,933 million (the previous fiscal year amounted an income of ¥7 million). A major income was ¥2,040 million from acquisition of shares in subsidiaries due to a change in the scope of consolidation.

(Cash flow from financing activities)

Funds used in financing activities totaled ¥738 million (the previous fiscal year amounted an expenditure of ¥9,675 million). A major income was ¥6,390 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 ¥5,559 million in repayments of long-term loans payable for completion of project and others, and ¥1,568 million in cash dividends paid.

Reference: Trends in cash flow indicators

	FY2019	FY2020	FY2021	FY2022	FY2023
Shareholders' equity ratio (%)	61.8	58.0	63.8	71.3	70.9
Shareholders' equity ratio based on market value (%)	38.4	30.8	43.5	39.1	36.3
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 FY2019 and FY2023 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 consideration of factors such as the internal reserves, financial balance and capital efficiency.

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 2022 to March 2023) 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 2023 to March 2024), 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, 2022	As of March 31, 2023
ASSETS		
Current assets		
Cash and deposits	35,593	32,254
Notes and operating accounts receivable-trade, and contract assets	2,176	4,067
Real estate for sale	11,262	11,130
Real estate for sale in process	19,025	26,489
Costs on uncompleted construction contracts	5	1
Raw materials and supplies	28	37
Advance payments-trade	107	186
Other	1,809	2,430
Allowance for doubtful accounts	(1)	(1)
Total current assets	70,008	76,595
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,047	7,235
Accumulated depreciation	(1,384)	(1,634)
Buildings and structures, net	5,663	5,601
Land	5,169	5,311
Other	378	507
Accumulated depreciation	(301)	(330)
Other, net	77	177
Total property, plant and equipment	10,910	11,089
Intangible assets	44	41
Investments and other assets		
Investment securities	305	373
Deferred tax assets	782	250
Other	608	599
Allowance for doubtful accounts	-	(9)
Total investments and other assets	1,696	1,212
Total non-current assets	12,651	12,343
Total assets	82,659	88,938

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,038	1,473
Current portion of long-term loans payable	3,279	5,820
Accounts payable-other	504	513
Income taxes payable	1,670	1,273
Accrued consumption taxes	1,103	364
Deposits received	2,128	2,397
Provision for bonuses	276	266
Other	863	1,100
Total current liabilities	10,864	13,210
Non-current liabilities		
Long-term loans payable	9,363	7,653
Provision for directors' retirement benefits	816	864
Net defined benefit liabilities	795	859
Long-term lease and guarantee deposited	1,816	1,867
Long-term deposits received	86	82
Provision incurred from business combination	-	1,354
Other	-	23
Total non-current liabilities	12,878	12,705
Total liabilities	23,742	25,915
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	54,292	58,344
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	58,910	62,962
Accumulated other comprehensive income		
Valuation difference on marketable securities	34	73
Remeasurements of defined benefit plans	(27)	(12)
Total accumulated other comprehensive income	7	60
Total net assets	58,917	63,022
Total liabilities and net assets	82,659	88,938

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY2022 ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023 ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Net sales	82,258	84,688
Cost of sales	62,518	65,840
Gross profit	19,739	18,848
Selling, general and administrative expenses		
Advertising expenses	1,790	1,721
Salaries, allowances and bonuses	3,470	3,557
Provision for bonuses	253	241
Retirement benefit expenses	89	112
Provision for directors' retirement benefits	54	55
Other	4,986	4,909
Total selling, general and administrative expenses	10,644	10,597
Operating income	9,095	8,250
Non-operating income		
Interest income	0	0
Dividend income	5	7
Penalty income	17	9
Compensation income	8	-
Subsidy income	19	13
Other	19	16
Total non-operating income	71	48
Non-operating expenses		
Interest expenses	82	44
Commission fee	2	-
Miscellaneous losses	-	32
Other	1	2
Total non-operating expenses	86	79
Ordinary income	9,080	8,219
Extraordinary income		
Gain on sale of non-current assets	10	-
Gain on negative goodwill	-	29
Total extraordinary income	10	29
Income before income taxes	9,090	8,248
Income taxes-current	2,832	2,609
Income taxes-deferred	(80)	18
Total income taxes	2,751	2,627
Net income	6,338	5,621
Net income attributable to shareholders of parental company	6,338	5,621

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2022 ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023 ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Net income	6,338	5,621
Other comprehensive income		
Valuation difference on marketable securities	21	38
Remeasurements of defined benefit plans, net of tax	(25)	(15)
Total of other comprehensive income	(4)	53
Comprehensive income	6,334	5,674
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	6,334	5,674
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Net Assets

FY2022 (Fiscal year ended March 31, 2022)

(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	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

FY2023 (Fiscal year ended March 31, 2023)

(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	54,292	(1,211)	58,910
Changes of items during the period					
Dividends of surplus			(1,568)		(1,568)
Net income attributable to shareholders of parental company			5,621		5,621
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	4,052	-	4,052
Balance at the end of the period	2,774	3,054	58,344	(1,211)	62,962

	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	34	(27)	7	58,917
Changes of items during the period				
Dividends of surplus				(1,568)
Net income attributable to shareholders of parental company				5,621
Net changes of items other than shareholders' equity	38	15	53	53
Total changes of items during the period	38	15	53	4,105
Balance at the end of the period	73	(12)	60	63,022

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	FY2022 ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)	FY2023 ended March 31, 2023 (Apr. 1, 2022 – Mar. 31, 2023)
Cash flows from operating activities		
Income before income taxes	9,090	8,248
Depreciation	404	368
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	20	(12)
Increase (decrease) in provision for directors' retirement benefits	(123)	48
Increase (decrease) in net defined benefit liabilities	43	84
Interest and dividend income	(6)	(8)
Interest expenses	82	44
Gain on sale of non-current assets	(10)	-
Gain on negative goodwill	-	(29)
Decrease (increase) in notes and accounts receivable-trade, and contract assets	2,193	(1,880)
Decrease (increase) in inventories	10,985	(7,718)
Increase (decrease) in notes and accounts payable-trade	(467)	192
Decrease (increase) in advances payments	484	(79)
Increase (decrease) in advances received	254	202
Increase (decrease) in lease and guarantee deposits received	19	51
Increase (decrease) in accrued consumption taxes	924	(1,424)
Other, net	392	479
Subtotal	24,289	(1,432)
Interest and dividend income received	6	8
Interest expenses paid	(81)	(46)
Income taxes paid	(1,997)	(3,064)
Net cash provided by operating activities	22,215	(4,534)
Cash flows from investing activities		
Purchase of property, plant and equipment	(86)	(39)
Proceeds from sale of property, plant and equipment	28	-
Purchase of intangible assets	(10)	-
Purchase of investment securities	(108)	(12)
Proceeds from redemption of investment securities	100	-
Decrease (increase) of time deposits	90	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	2,040
Other, net	(8)	(54)
Net cash provided by (used in) investing activities	7	1,933
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(480)	-
Proceeds from long-term loans payable	5,690	6,390
Repayments of long-term loans payable	(13,382)	(5,559)
Cash dividends paid	(1,503)	(1,568)
Net cash used in financing activities	(9,675)	(738)
Net increase (decrease) in cash and cash equivalents	12,547	(3,339)
Cash and cash equivalents at the beginning of the period	22,996	35,543
Cash and cash equivalents at the end of the period	35,543	32,204

(5) Notes Regarding Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Changes in scope of consolidation or of application of the equity method)

FJ NEXT CO., LTD., a consolidated subsidiary of the Company, is included in the scope of consolidation as of the consolidated fiscal year under review, as a result of its acquisition of all issued shares of Ito Ippeki Management Services Co., Ltd.(February 1,2023). The deemed date of this acquisition is March 31, 2023, and the difference between this date and the consolidated settlement date does not exceed three months, so FJ NEXT CO., LTD. is only consolidated in the balance sheet in the consolidated fiscal year under review.

(Changes in Accounting Policies)

(Application of the Accounting Standard for Fair Value Measurement)

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

(Accounting treatment related to introduction of the Group tax sharing system)

Beginning in the consolidated fiscal year under review, the Company and its consolidated subsidiaries are transitioning from an individual tax payment system to a Group tax sharing system. In tandem with this change, Practical Solution No.42, Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ, August 12, 2021) is applied to national and regional corporate taxes and processing and disclosure of tax-effect accounting.

(Change in Purpose for Holding)

During the current consolidated fiscal year, in conjunction with a change in purpose for holding a portion of the real estate for sale, ¥301 million of real estate for sale was reclassified as property, plant, and equipment (¥159 million as buildings and structures, and ¥141 million as land).

(Segment information)

(Segment information)

I 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.

As a result of the Group’s switch to a holding-company structure as of October 1, 2021, the Group is revising its reporting segments. In tandem with this change, the financial services business, which was previously included in the real-estate development segment, is changed to “other.” The Group is also revising its method of allocation of Group-wide expenses. The impact on net sales and earnings of these changes in reporting segments is negligible.

The Group discloses segment information for the previous consolidated fiscal year prepared on the basis of the classifications of reporting segments after the above change.

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

The methods of accounting for reported segments are based on the principles and methods of accounting adopted for the purpose of preparing the consolidated 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.

As described in “Changes in accounting policy,” the Accounting Standard for Revenue Recognition (ASRR) is applied to the consolidated fiscal year under review from the beginning of the consolidated fiscal year. Because of this change in the method of accounting for revenue recognition, the methods of measurement of income and loss in the business segments are similarly changed. The impact on segment income and loss of these changes in accounting policy is negligible.

3. Information on net sales, profit or loss, assets, other items for reported segments and revenue breakdown

(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
Pre-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)
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Increase (decrease) in property, plant and equipment and intangible assets (Millions of yen)

Adjustments of non-current assets	(2)
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3. Segment profit is adjusted with operating income in the consolidated statement of income.

4. "Other revenue" mainly consists of revenue from real-estate rents. Revenue is recognized based on the duty of performance outlined in the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30 2007).

II Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

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. and Ito Ippeki Management Services 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, subcontracting of property management from management unions and holiday-home-area management for holiday-home-area owners. 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 methods of accounting for reported segments are based on the principles and methods of accounting adopted for the purpose of preparing the consolidated 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 net sales, profit, assets, other items for reported segments and revenue breakdown

(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	27,748	—	—	—	27,748	—	27,748		27,748
Pre-owned condominiums	40,410	—	—	—	40,410	—	40,410		40,410
Other	213	3,424	4,777	1,279	9,694	—	9,694		9,694
Revenue from contracts with customers	68,372	3,424	4,777	1,279	77,853	—	77,853		77,853
Other revenue (Note) 4	6,553	228	-	-	6,781	53	6,835		6,835
Net sales to external customers	74,925	3,652	4,777	1,279	84,634	53	84,688		84,688
Inter-segment sales or exchange	15	427	56	17	517	—	517	(517)	-
Total	74,940	4,080	4,833	1,297	85,151	53	85,205	(517)	84,688
Segment profit	7,064	948	148	47	8,208	35	8,244	6	8,250
Segment assets	74,357	8,973	4,270	1,798	89,400	1,699	91,099	(2,161)	88,938
Other items									
Depreciation	271	3	0	94	370	0	370	(1)	368
Increase (decrease) in property, plant and equipment and intangible assets	339	115	2	2	459	—	459	(0)	459

(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	(151)
Company-wide expenses	157
Adjustments of inter-segment inventories and non-current assets	0
Total	6

Segment assets	(Millions of yen)
Elimination of inter-segment transactions	(2,138)
Adjustments of inter-segment inventories and non-current assets	(22)
Total	(2,161)

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	(0)

3. Segment profit is adjusted with operating income in the consolidated statement of income.
4. "Other revenue" mainly consists of revenue from real-estate rents. Revenue is recognized based on the duty of performance outlined in the Accounting Standard for Lease Transactions (Accounting Standards Board of Japan (ASBJ) Statement No. 13, March 30 2007).

(Related information)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

1. Information regarding products and services

Information is omitted here because similar information is listed as segment information.

2. Regional information

(1) Sales

No applicable items exist because there are no branches or consolidated subsidiaries located in countries or regions other than Japan.

(2) Property, plant and equipment

No applicable items exist because there are no branches or consolidated subsidiaries located in countries or regions other than Japan.

3. Information regarding major customers

Information is omitted because, within sales to external customers, there are no sales to specific customers which compose 10% or greater of the consolidated statement of income.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

1. Information regarding products and services

Information is omitted here because similar information is listed as segment information.

2. Regional information

(1) Sales

No applicable items exist because there are no branches or consolidated subsidiaries located in countries or regions other than Japan.

(2) Property, plant and equipment

No applicable items exist because there are no branches or consolidated subsidiaries located in countries or regions other than Japan.

3. Information regarding major customers

Information is omitted because, within sales to external customers, there are no sales to specific customers which compose 10% or greater of the consolidated statement of income.

(Information regarding the impairment loss of non-current assets for reported segments)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

No applicable items exist.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

No applicable items exist.

(Information regarding the amortization of goodwill and unamortized balances for reported segments)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

No applicable items exist.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

No applicable items exist.

(Information regarding the gain on negative goodwill for reported segments)

Previous consolidated fiscal year (From April 1, 2021 to March 31, 2022)

No applicable items exist.

Current consolidated fiscal year (From April 1, 2022 to March 31, 2023)

With the inclusion of Ito Ippeki Management Services Co., Ltd. in the scope of consolidation Real estate management segment, the Company incurred negative goodwill. The amount of income generated from this negative goodwill and appropriated in the consolidated fiscal year under review is ¥29 million. As income generated from negative goodwill is extraordinary income, this income is not included in the segment income listed above.

(Significant Subsequent Events)

(Establishment of a subsidiary by splitting a consolidated subsidiary (simple absorption-type company split))

At a meeting of the Board of Directors on February 21, 2023, the Company resolved to spin off the family-type-condominium business of FJ NEXT CO., LTD., a wholly owned consolidated subsidiary of the Company, establishing FJ Next Residential Co., Ltd. a wholly owned consolidated subsidiary. The spinoff is to be accomplished by company split (simple absorption-type company split). The new company was established on April 3, 2023.

The absorption-type company split agreement was concluded on April 26, 2023 and is planned to come into force on October 1, 2023.

For details, please refer to “Notice Regarding Establishment of a Subsidiary by Split of a Consolidated Subsidiary (Simple Absorption-type Company Split),” published on February 21, 2023, and “Notice Regarding Establishment of a Subsidiary by Split of a Consolidated Subsidiary (Simple Absorption-type Company Split): Timeline of Disclosed Items,” published on March 23, 2023.

(Elimination of bonus system for directors’ retirement benefits and introduction of transfer-restricted-share remuneration system)

At the meeting of the Board of Directors on April 27, 2023, the Company reviewed its system for remuneration of directors. The Company resolved to eliminate the bonus system for directors’ retirement benefits and introduce a transfer-restricted-share remuneration system (hereinafter “the System”). The Company further resolved to table a motion regarding the System at the 43rd annual general meeting of shareholders, due to convene on June 22, 2023.

For details, please refer to “Notice Regarding Elimination of bonus system for directors’ retirement benefits and introduction of transfer-restricted-share remuneration system),” published on April 27, 2023.