

August 3, 2023

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2024 [Japanese Standards] (Consolidated)

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 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, 2024 (From April 1, 2023 to June 30, 2023)

(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, 2024	20,923	16.7	1,287	(9.9)	1,286	(9.7)	815	(14.9)
1Q/ FY ended March 31, 2023	17,926	(2.1)	1,428	(12.5)	1,424	(12.8)	958	(13.5)

(Note)

Comprehensive income:

1Q/ FY ending March 31, 2024: ¥835 million (-13.6%)

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

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
1Q/ FY ending March 31, 2024	24.96	—
1Q/ FY ended March 31, 2023	29.34	—

(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, 2023	90,508	63,074	69.7	1,929.74
As of March 31, 2023	88,938	63,022	70.9	1,928.17

(Reference)

Shareholders' equity:

As of June 30, 2023: ¥63,074 million

As of March 31, 2023: ¥63,022 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, 2023	—	24.00	—	24.00	48.00
FY ending March 31, 2024	—				
FY ending March 31, 2024 (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, 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)	152.88

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

Due to the disposal of Treasury Stock as Transfer-restricted Stock Compensation implemented on July 19, 2023, amount of average stock during term has been reviewed and the Net Income Per Share forecast has been revised.

*Notes

(1) Changes in major subsidiaries during this three-month period ended June 30, 2023 (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.: No

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, 2023	34,646,500 shares	FY ended March 31, 2023	34,646,500 shares
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2) Amount of treasury stock at term-end

Three months ended June 30, 2023	1,961,157 shares	FY ended March 31, 2023	1,961,157 shares
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3) Amount of average stock during term (Quarter accumulation)

Three months ended June 30, 2023	32,685,343 shares	Three months ended June 30, 2022	32,685,343 shares
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* This quarterly summary of consolidated financial results is excluded from the quarterly review by a certified public accountant or audit corporations.

* Explanation and other special notes regarding the appropriate use of the earnings forecast

(Notes on forward-looking statements)

The forward-looking statements such as result forecasts included in this document are based on the information available to the Company at the time of the announcement and on certain assumptions considered reasonable, and the Company makes no representations as to their achievability. Actual results may differ materially from the forecast depending on a range of factors.

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

(1) Explanation of Operating Results

During the three-month consolidated period under review (1Q for the fiscal year ending March 31, 2024), encouraging signs were tempered with a need for caution. The Japanese economy recovered gradually, with various government measures taking effect as the employment and income pictures improved. Overseas, however, economies slumped as monetary tightening continued, financial and capital markets fluctuated and prices rose. Caution is therefore warranted, as these global trends harbor risk of 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 during the first half of 2023 (January to June) down 17.4% from the same period of last year to just 10,502. On the other hand, purchase demand remained firm, with the average first-month contract rate for the same period being 72.7%, surpassing 70%, which is said to be a good indicator, for the third 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 the 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, the FJ Next Group strove to boost Group corporate value in a number of ways. In the Tokyo metropolitan area, the Group moved forward with development of the Gala Condominium series, which yields wide-ranging benefits in terms of asset management, and the Gala Residence series, a series of FJ Next-branded condominiums designed with families in mind. The Group also took numerous steps to bolster its corporate value, including expanding sales through online seminars and online sales negotiations, enhancing customer-support systems and strengthening the FJ Next brand.

As a result, net sales were ¥20,923 million (an increase of 16.7% compared with the same period of the previous fiscal year (YOY)), operating income amounted ¥1,287 million (a decrease of 9.9% YOY), and ordinary income was ¥1,286 million (a decrease of 9.7% YOY). Furthermore, net income attributable to shareholders of parental company totaled ¥815 million (a decrease of 14.9% YOY).

(Real estate development segment)

We focused on the sales of newly built condominiums such as Gala Station Omori-Kaigan, and also actively conducted sales of pre-owned condominiums.

During the consolidated cumulative first quarter under review, net sales were ¥3,597 million for newly built condominiums (109 units), ¥12,545 million for pre-owned condominiums (497 units), ¥1,561 million for real estate rental income, and ¥14 million from other income sources. Therefore, the total net sales in the segment reached ¥17,718 million (an increase of 12.2% YOY) and the segment profit was ¥978 million (a decrease of 16.9% YOY).

Breakdown of net sales, etc.

Category	Three-month consolidation period ended June 30, 2022 (Apr. 1, 2022 – June 30, 2022)			Three-month consolidation period ended June 30, 2023 (Apr. 1, 2023 – June 30, 2023)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	101	2,287	27.8	109	3,597	157.3
Gala Residence series	0	—	—	0	—	—
Pre-owned condominiums	479	11,816	232.3	497	12,545	106.2
Real estate rental income	—	1,649	89.3	—	1,561	94.6
Other income	—	40	154.6	—	14	34.7
Total	580	15,795	100.2	606	17,718	112.2

(Real estate management segment)

New orders for management of properties developed by the Group advanced, as did outside orders for property management. The number of managed units for leasing reached 18,230 and the number of buildings managed reached 347.

During the first quarter of the fiscal year ending March 31, 2024, net sales in the real estate management segment were ¥958 million (an increase of 9.8% YOY) and segment profit was ¥264 million (an increase of 28.3% YOY).

(Construction segment)

Condominium construction projects and large-scale repair projects proceeded generally according to plan.

During the first quarter of the fiscal year ending March 31, 2024, net sales in the construction segment were ¥1,982 million (an increase of 104.4% YOY) and segment profit was ¥79 million (an increase of 33.0% YOY).

(Japanese inn segment)

Room occupancy rates declined against the figure for the same period of the previous fiscal year in reaction to the end of special demand from programs such as the National Travel Support, a national-government measure to stimulate tourist demand, implemented in the previous consolidated fiscal year.

During the first quarter of the fiscal year ending March 31, 2024, net sales in the Japanese inn segment declined to ¥251 million (a decrease of 8.6% YOY) and the segment posted a loss of ¥43 million (compared to a segment loss of ¥25 million in the same period of the previous fiscal year).

(Other segments)

Net sales in other segments were ¥12 million in the first quarter of the fiscal year ending March 31, 2024 (a decrease of 7.3% YOY). Segment profit was ¥7 million (a decrease of 13.7% 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 ¥78,301 million, an increase of ¥1,705 million as compared with the end of the previous consolidated fiscal year. Major increases were ¥4,832 million in real estate for sale in process and ¥1,663 million in cash and deposits, while a major decrease was ¥3,990 million in real estate for sale. Non-current assets recorded ¥12,207 million, a decrease of ¥135 million as compared with the end of the previous consolidated fiscal year.

As a result, total assets were ¥90,508 million, an increase of ¥1,570 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 ¥13,936 million, an increase of ¥726 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥875 million in current portion of long-term loans payable, while a major decrease was ¥973 million in income taxes payable. Non-current liabilities recorded ¥13,497 million, an increase of ¥792 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥775 million in long-term loans payable. At the 43rd annual general meeting of shareholders convened on June 22, 2023, a discontinuation payment was approved in connection to the discontinuation of the bonus system for directors' retirement benefits. As a result, the provision for directors' retirement benefits was transferred to long-term accounts payable-other.

In consequence, total liabilities were ¥27,434 million, an increase of ¥1,518 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 ¥63,074 million, an increase of ¥51 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥815 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 69.7% (it was 70.9% 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, 2024, there has been no change to the forecasted numbers listed in the “Summary of Financial Results for the Fiscal Year Ended March 31, 2023” that was released on May 12, 2023.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets in the First Quarter

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
ASSETS		
Current assets		
Cash and deposits	32,254	33,917
Notes and operating accounts receivable-trade, and contract assets	4,067	4,027
Real estate for sale	11,130	7,139
Real estate for sale in process	26,489	31,321
Costs on uncompleted construction contracts	1	17
Raw materials and supplies	37	35
Advance payments-trade	186	187
Other	2,430	1,654
Allowance for doubtful accounts	(1)	(1)
Total current assets	76,595	78,301
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,235	7,237
Accumulated depreciation	(1,634)	(1,696)
Buildings and structures, net	5,601	5,540
Land	5,311	5,311
Other	507	550
Accumulated depreciation	(330)	(336)
Other, net	177	213
Total property, plant and equipment	11,089	11,065
Intangible assets	41	40
Investments and other assets		
Investment securities	373	367
Deferred tax assets	250	154
Other	599	589
Allowance for doubtful accounts	(9)	(10)
Total investments and other assets	1,212	1,101
Total non-current assets	12,343	12,207
Total assets	88,938	90,508

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,473	1,768
Current portion of long-term loans payable	5,820	6,695
Accounts payable-other	513	860
Income taxes payable	1,273	300
Accrued consumption taxes	364	298
Deposits received	2,397	2,437
Provision for bonuses	266	99
Other	1,100	1,476
Total current liabilities	13,210	13,936
Non-current liabilities		
Long-term loans payable	7,653	8,428
Provision for directors' retirement benefits	864	-
Long-term accounts payable-other	-	878
Net defined benefit liabilities	859	874
Long-term lease and guarantee deposited	1,867	1,858
Long-term deposits received	82	83
Provision incurred from business combination	1,354	1,354
Other	23	21
Total non-current liabilities	12,705	13,497
Total liabilities	25,915	27,434
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	58,344	58,375
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	62,962	62,993
Accumulated other comprehensive income		
Valuation difference on marketable securities	73	92
Remeasurements of defined benefit plans	(12)	(11)
Total accumulated other comprehensive income	60	80
Total net assets	63,022	63,074
Total liabilities and net assets	88,938	90,508

(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, 2023 (Apr. 1, 2022 - June 30, 2022)	1Q/ FY ending March 31, 2024 (Apr. 1, 2023 - June 30, 2023)
Net sales	17,926	20,923
Cost of sales	13,989	17,027
Gross profit	3,937	3,896
Selling, general and administrative expenses		
Advertising expenses	381	437
Salaries, allowances and bonuses	866	988
Provision for bonuses	76	82
Retirement benefit expenses	26	28
Provision for directors' retirement benefits	13	13
Other	1,143	1,057
Total selling, general and administrative expenses	2,508	2,608
Operating income	1,428	1,287
Non-operating income		
Interest income	0	0
Dividend income	0	0
Penalty income	1	6
Subsidy income	3	0
Other	1	5
Total non-operating income	6	12
Non-operating expenses		
Interest expenses	11	12
Other	-	1
Total non-operating expenses	11	14
Ordinary income	1,424	1,286
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	34
Total extraordinary losses	-	34
Income before income taxes	1,424	1,252
Income taxes-current	286	349
Income taxes-deferred	178	86
Total income taxes	465	436
Net income	958	815
Net income attributable to shareholders of parental company	958	815

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

(Millions of yen)

	1Q/ FY ended March 31, 2023 (Apr. 1, 2022 - June 30, 2022)	1Q/ FY ending March 31, 2024 (Apr. 1, 2023 - June 30, 2023)
Net income	958	815
Other comprehensive income		
Valuation difference on marketable securities	7	19
Remeasurements of defined benefit plans, net of tax	1	0
Total of other comprehensive income	8	20
Comprehensive income	967	835
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	967	835
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)

Beginning in the consolidated first quarter under review, FJ Next Residential Co., Ltd., the successor company in an absorption-type split newly established on April 3, 2023, is included in the scope of consolidation. FJ Next Residential thus takes over the family-type condominium business of FJ NEXT CO., LTD., a wholly owned consolidated subsidiary of FJ Next Holdings Co., Ltd., by a company split (simple absorption-type company split).

(Notes in Event of Significant Changes in Shareholders' Equity)

None.

(Additional Information)

(Discontinuation of the Bonus System for Directors' Retirement Benefits)

At the 43rd annual general meeting of shareholders convened on June 22, 2023, a discontinuation payment was approved in connection to the discontinuation of the bonus system for directors' retirement benefits. As a result, the provision for directors' retirement benefits was drawn down in its entirety and the unpaid amount of the discontinuation payment of ¥878 million was transferred to long-term accounts payable-other, under non-current liabilities.

(Segment Information)

I. 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
Pre-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 (loss) of ¥2 million includes negative ¥337 million in elimination of inter-segment transactions, Company-wide revenue of ¥400 million and Company-wide expenses of negative ¥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.

II. For the Three Months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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	3,597	-	-	-	3,597	-	3,597	-	3,597
Pre-owned condominiums	12,545	-	-	-	12,545	-	12,545	-	12,545
Other	14	906	1,982	251	3,153	-	3,153	-	3,153
Revenue from contracts with customers	16,157	906	1,982	251	19,297	-	19,297	-	19,297
Other revenue (Note) 4	1,561	52	-	-	1,614	12	1,626	-	1,626
Net sales to external customers	17,718	958	1,982	251	20,911	12	20,923	-	20,923
Inter-segment sales or exchange	3	84	10	7	106	-	106	(106)	-
Total	17,722	1,042	1,993	259	21,018	12	21,030	(106)	20,923
Segment profit (loss)	978	264	79	(43)	1,279	7	1,286	0	1,287

(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 (loss) of ¥0 million includes negative ¥337 million in elimination of inter-segment transactions, Company-wide revenue of ¥400 million and Company-wide expenses of negative ¥61 million not allocated to each reported segments, and adjustment of inventories and non-current assets of negative ¥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.

(Significant Subsequent Events)

(Disposal of Treasury Stock as Transfer-restricted Stock Compensation)

At a meeting of the Board of Directors on June 22, 2023, the Company resolved to dispose of treasury stock as transfer-restricted stock compensation. The payment procedures for this disposal were completed on July 19, 2023.

Overview of disposal

(1) Payment date	July 19, 2023
(2) Type and number of shares disposed	29,100 common stock of FJ Next Holdings Co., Ltd.
(3) Disposal price	¥1,022 per share
(4) Disposal amount	¥29,740,200
(5) Allottees	Board directors of the Company ¹ 8,500 shares divided among 2 persons Executive officers of the Company ² 17,900 shares divided among 8 persons Board directors of Company subsidiaries 2,700 shares divided among 3 persons 1 Not including board directors who are members of the Audit and Supervisory Committee and outside board directors 2 Only those who have concluded trust agreements with the Company
(6) Other	The Company has submitted a Securities Notice with respect to this disposal of treasury stock in accordance with the Financial Instruments and Exchange Act.

Note: For details, please refer to "Notice Regarding Disposal of Treasury Stock as Transfer-restricted Stock Compensation," published on June 22, 2023.

(Related to Recognition of Revenue)

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