

February 8, 2024

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

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

(Millions of yen rounded down)

1. Consolidated Operating Results for the Third Quarter of Fiscal Year Ending March 31, 2024 (From April 1, 2023 to December 31, 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	%
3Q/ FY ending March 31, 2024	66,295	15.8	5,453	25.5	5,452	26.3	3,607	23.6
3Q/ FY ended March 31, 2023	57,251	5.5	4,347	(16.5)	4,317	(16.9)	2,918	(14.7)

(Note)

Comprehensive income:

3Q/ FY ending March 31, 2024: ¥3,634 million (23.1%)

3Q/ FY ended March 31, 2023: ¥2,952 million (-14.1%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
3Q/ FY ending March 31, 2024	110.30	—
3Q/ FY ended March 31, 2023	89.28	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2023	90,561	65,117	71.9	1,990.47
As of March 31, 2023	88,938	63,022	70.9	1,928.17

(Reference)

Shareholders' equity:

As of December 31, 2023: ¥65,117 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	—	24.00	—		
FY ending March 31, 2024 (Forecast)				24.00	48.00

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

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 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, the amount of average stock during term has been reviewed and the forecast of net income per share has been revised.

*Notes

(1) Changes in major subsidiaries during this nine-month period ended December 31, 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)	Nine months ended December 31, 2023	34,646,500 shares	FY ended March 31, 2023	34,646,500 shares
2) Amount of treasury stock at term-end	Nine months ended December 31, 2023	1,932,089 shares	FY ended March 31, 2023	1,961,157 shares
3) Amount of average stock during term (Quarter accumulation)	Nine months ended December 31, 2023	32,702,904 shares	Nine months ended December 31, 2022	32,685,343 shares

* This quarterly summary of consolidated financial results is excluded from the quarterly review by a certified public accountant or audit corporations.

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

(Notes on forward-looking statements)

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

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

(1) Explanation of Operating Results

During the nine-month consolidation period under review (first three quarters of the fiscal year ending March 31, 2024), the Japanese economy moved along a gradual recovery path. Despite a slowdown in capital investment and other factors, various national policies had their effects amid an improving environment for employment and income. Internationally, however, issues such as continuing worldwide monetary tightening and uncertainty over prospects for the Chinese economy pressed down on the global economic picture, feeding continuing concerns about the risk of downward pressure on the Japanese economy.

In the market for condominiums in the Tokyo metropolitan area, factors such as amid rising personnel and other construction costs and high prices for land drove the number of newly supplied units during 2023 down 9.1% from the last year to just 26,886. On the other hand, purchase demand remained firm, with the average first-month contract rate for the same period being 70.3%, surpassing 70%, which is said to be a good indicator. (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 ¥66,295 million (an increase of 15.8% compared with the same period of the previous fiscal year (YOY)), operating income amounted ¥5,453 million (an increase of 25.5% YOY), and ordinary income was ¥5,452 million (an increase of 26.3% YOY). Furthermore, net income attributable to shareholders of parental company totaled ¥3,607 million (an increase of 23.6% YOY).

The operating results for each business segment are as follows:

(Real estate development segment)

We focused on sales of new properties such as Gala Station Omori-Kaigan, Gala Precious Motosumiyoshi and Gala Residence Kasai Avenue. We also actively conducted sales of pre-owned condominiums.

During the first nine months of the fiscal year ending March 31, 2024, net sales were ¥16,549 million for newly built condominiums (534 units), ¥34,409 million for pre-owned condominiums (1,357 units), ¥4,663 million for real estate rental income, and ¥149 million from other income sources. Therefore, the total net sales in the segment reached ¥55,772 million (an increase of 11.0% YOY) and the segment profit was ¥4,351 million (an increase of 24.7% YOY).

Breakdown of net sales, etc.

Category	Nine-month consolidation period ended December 31, 2022 (Apr. 1, 2022 – Dec. 31, 2022)			Nine-month consolidation period ended December 31, 2023 (Apr. 1, 2023 – Dec. 31, 2023)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	315	7,700	33.8	426	12,181	158.2
Gala Residence series	149	5,814	203.0	108	4,368	75.1
Pre-owned condominiums	1,274	31,663	201.6	1,357	34,409	108.7
Real estate rental income	—	4,897	92.1	—	4,663	95.2
Other income	—	162	90.0	—	149	92.2
Total	1,738	50,237	107.2	1,891	55,772	111.0

(Note) Note that among 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.

(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 18,522 and the number of buildings managed reached 353.

During the first nine months of the fiscal year ending March 31, 2024, net sales in the real estate management segment were ¥2,943

million (an increase of 9.1% YOY) and segment profit was ¥797 million (an increase of 20.7% YOY).

(Construction segment)

Condominium construction projects and large-scale repair projects proceeded generally according to plan. Sales and profit increased YOY due to more completed construction contracts.

During the first nine months of the fiscal year ending March 31, 2024, net sales in the construction segment were ¥6,649 million (an increase of 99.3% YOY), and segment profit was ¥316 million (an increase of 112.8% 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 Kenmin Wari (Prefectural Residents Discount), a prefectural-government measure to stimulate tourist demand, implemented in the previous consolidated fiscal year.

During the first nine months of the fiscal year ending March 31, 2024, net sales in the Japanese inn segment decreased to ¥892 million (a decrease of 4.8% YOY), and the segment posted a loss of ¥38 million (compared to a segment profit of ¥17 million in the same period of the previous fiscal year).

(Other segments)

Net sales in other segments were ¥36 million in the first nine months of the fiscal year ending March 31, 2024 (a decrease of 10.6% YOY). Segment profit was ¥21 million (a decrease of 21.6% YOY).

(2) Explanation of Financial Position

(Assets)

At the end of the consolidated third quarter under review, current assets were ¥78,207 million, an increase of ¥1,611 million as compared with the end of the previous consolidated fiscal year. Major increases were ¥6,763 million in real estate for sale in process and ¥1,154 million in electronically recorded monetary claims-operating, while major decreases were ¥3,700 million in real estate for sale and ¥2,450 million in cash and deposits. Non-current assets recorded ¥12,354 million, an increase of ¥10 million as compared with the end of the previous consolidated fiscal year.

As a result, total assets were ¥90,561 million, an increase of ¥1,622 million as compared with the end of the previous consolidated fiscal year.

(Liabilities)

At the end of the consolidated third quarter under review, current liabilities were ¥10,749 million, a decrease of ¥2,460 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥510 million in notes and accounts payable-trade, while major decreases were ¥3,030 million in current portion of long-term loans payable and ¥501 million in income taxes payable. Non-current liabilities recorded ¥14,694 million, an increase of ¥1,989 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable increased by ¥1,935 million. At the 43rd annual general meeting of shareholders held 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.

As a result, total liabilities were ¥25,444 million, a decrease of ¥471 million as compared with the end of the previous consolidated fiscal year.

(Net assets)

At the end of the consolidated third quarter under review, total net assets were ¥65,117 million, an increase of ¥2,094 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥3,607 million in net income attributable to shareholders of parental company, while a ¥1,569 million decrease was recorded in dividends of surplus.

As a result, the equity ratio was 71.9% (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 Third Quarter

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
ASSETS		
Current assets		
Cash and deposits	32,254	29,803
Notes and operating accounts receivable-trade, and contract assets	4,067	4,284
Electronically recorded monetary claims-operating	—	1,154
Real estate for sale	11,130	7,430
Real estate for sale in process	26,489	33,253
Costs on uncompleted construction contracts	1	4
Raw materials and supplies	37	33
Advance payments-trade	186	429
Other	2,430	1,815
Allowance for doubtful accounts	(1)	(1)
Total current assets	76,595	78,207
Non-current assets		
Property, plant and equipment		
Buildings and structures	7,235	7,249
Accumulated depreciation	(1,634)	(1,821)
Buildings and structures, net	5,601	5,427
Land	5,311	5,311
Other	507	623
Accumulated depreciation	(330)	(348)
Other, net	177	274
Total property, plant and equipment	11,089	11,013
Intangible assets	41	38
Investments and other assets		
Investment securities	373	383
Deferred tax assets	250	378
Other	599	549
Allowance for doubtful accounts	(9)	(9)
Total investments and other assets	1,212	1,302
Total non-current assets	12,343	12,354
Total assets	88,938	90,561

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,473	1,983
Current portion of long-term loans payable	5,820	2,789
Accounts payable-other	513	416
Income taxes payable	1,273	772
Accrued consumption taxes	364	216
Deposits received	2,397	2,921
Provision for bonuses	266	351
Other	1,100	1,297
Total current liabilities	13,210	10,749
Non-current liabilities		
Long-term loans payable	7,653	9,588
Provision for directors' retirement benefits	864	—
Long-term accounts payable-other	—	878
Net defined benefit liabilities	859	916
Long-term lease and guarantee deposited	1,867	1,862
Long-term deposits received	82	80
Provision incurred from business combination	1,354	1,354
Other	23	14
Total non-current liabilities	12,705	14,694
Total liabilities	25,915	25,444
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,066
Retained earnings	58,344	60,381
Treasury stock	(1,211)	(1,193)
Total shareholders' equity	62,962	65,029
Accumulated other comprehensive income		
Valuation difference on marketable securities	73	97
Remeasurements of defined benefit plans	(12)	(9)
Total accumulated other comprehensive income	60	87
Total net assets	63,022	65,117
Total liabilities and net assets	88,938	90,561

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-Month Consolidation Period)

(Millions of yen)

	1Q-3Q/ FY ended March 31, 2023 (Apr. 1, 2022 – Dec. 31, 2022)	1Q-3Q/ FY ending March 31, 2024 (Apr. 1, 2023 – Dec. 31, 2023)
Net sales	57,251	66,295
Cost of sales	45,227	52,986
Gross profit	12,024	13,309
Selling, general and administrative expenses		
Advertising expenses	1,318	1,175
Salaries, allowances and bonuses	2,622	2,903
Provision for bonuses	266	336
Retirement benefit expenses	80	83
Provision for directors' retirement benefits	41	13
Other	3,346	3,342
Total selling, general and administrative expenses	7,676	7,855
Operating income	4,347	5,453
Non-operating income		
Interest income	0	0
Dividend income	7	8
Penalty income	7	15
Subsidy income	10	1
Other	11	12
Total non-operating income	37	39
Non-operating expenses		
Interest expenses	34	35
Miscellaneous losses	32	—
Other	1	4
Total non-operating expenses	68	40
Ordinary income	4,317	5,452
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	—	34
Total extraordinary losses	—	34
Income before income taxes	4,317	5,418
Income taxes-current	1,292	1,951
Income taxes-deferred	106	(140)
Total income taxes	1,398	1,811
Net income	2,918	3,607
Net income attributable to shareholders of parental company	2,918	3,607

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

(Millions of yen)

	1Q-3Q/ FY ended March 31, 2023 (Apr. 1, 2022 – Dec. 31, 2022)	1Q-3Q/ FY ending March 31, 2024 (Apr. 1, 2023 – Dec. 31, 2023)
Net income	2,918	3,607
Other comprehensive income		
Valuation difference on marketable securities	29	24
Remeasurements of defined benefit plans, net of tax	4	2
Total of other comprehensive income	34	27
Comprehensive income	2,952	3,634
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	2,952	3,634
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 of the current fiscal year, 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.

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

None.

(Application of Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements)

None.

(Additional Information)

(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.

(Transfer-restricted Stock Compensation System)

In accordance with a resolution passed at the 43rd annual general meeting of shareholders convened on June 22, 2023, the Company introduced a Transfer-restricted Stock Compensation System to be applied to the Company's directors (not including board directors who are members of the Audit and Supervisory Committee and outside board directors; hereinafter, "the Company's Related Directors"). The purpose of this system is to enable the Company's Related Directors to share the benefits and risks of stock price fluctuations with shareholders, and to further increase the desire of the Company's Related Directors to contribute to increasing stock prices and enhancing corporate value.

Based on a resolution at a meeting of the Company's Board of Directors held on June 22, 2023, we disposed of 29,100 shares of treasury stock on July 19, 2023 as allocation of transfer-restricted stock compensation.

(Segment Information)

I. For the Nine Months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

1. Information on the amount of sale and profit 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	13,514	—	—	—	13,514	—	13,514	—	13,514
Pre-owned condominiums	31,663	—	—	—	31,663	—	31,663	—	31,663
Other	162	2,522	3,337	937	6,959	—	6,959	—	6,959
Revenue from contracts with customers	45,340	2,522	3,337	937	52,137	—	52,137	—	52,137
Other revenue (Note) 4	4,897	175	—	—	5,072	41	5,113	—	5,113
Net sales to external customers	50,237	2,697	3,337	937	57,210	41	57,251	—	57,251
Inter-segment sales or exchange	10	298	31	13	354	—	354	(354)	—
Total	50,248	2,996	3,368	950	57,564	41	57,606	(354)	57,251
Segment profit	3,488	660	148	17	4,316	27	4,343	3	4,347

(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 of ¥3 million includes negative ¥213 million in elimination of inter-segment transactions, Company-wide revenue of ¥400 million and Company-wide expenses of negative ¥181 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 is adjusted with operating income in the quarterly consolidated statement of income.

4. Other revenue is mainly real estate rental income.

II. For the Nine Months ended December 31, 2023 (From April 1, 2023 to December 31, 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	16,549	—	—	—	16,549	—	16,549	—	16,549
Pre-owned condominiums	34,409	—	—	—	34,409	—	34,409	—	34,409
Other	149	2,786	6,649	892	10,477	—	10,477	—	10,477
Revenue from contracts with customers	51,108	2,786	6,649	892	61,436	—	61,436	—	61,436
Other revenue (Note) 4	4,663	157	—	—	4,821	36	4,858	—	4,858
Net sales to external customers	55,772	2,943	6,649	892	66,258	36	66,295	—	66,295
Inter-segment sales or exchange	11	278	40	14	344	—	344	(344)	—
Total	55,783	3,222	6,690	906	66,603	36	66,640	(344)	66,295
Segment profit (loss)	4,351	797	316	(38)	5,427	21	5,448	5	5,453

(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 ¥5 million includes negative ¥209 million in elimination of inter-segment transactions, Company-wide revenue of ¥400 million and Company-wide expenses of negative ¥186 million not allocated to each reported segments, and adjustment of inventories and non-current assets of ¥1 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.

(Matters Related to Business Combinations, etc.)

Transactions under common control, etc.

(Company Split between Consolidated Subsidiaries)

Based on the absorption-type company split agreement that was entered into on April 26, 2023, the Company's wholly owned consolidated subsidiaries FJ Next Co., Ltd. and FJ Next Residential Co., Ltd. executed a company split with an effective date of October 1, 2023.

An overview of the company split is given below.

1. Overview of the company split

(1) Name of the targeted business and details of the business

Business name: Family-type condominium business operated by FJ Next Co., Ltd., a consolidated subsidiary of our company.

Business activities: Family-type condominium business

(2) Effective date

October 1, 2023

(3) Method of company split

An absorption-type company split in which FJ Next Co., Ltd. is the company being split and FJ Next Residential Co., Ltd. is the successor company

(4) Name of the company after company split

There is no change.

(5) Purpose of the company split

The purpose of this company split is to clarify management responsibilities for family-type condominium business and enable speedy management decision-making.

2. Overview of implemented accounting treatment

Based on the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019), these transactions are treated as common control transactions.

(Significant Subsequent Events)

None.