

July 31, 2020

Summary of Financial Results for the First Quarter of Fiscal Year Ending March 31, 2021 [Japanese Standards] (Consolidated)

Company name: FJ Next Co., Ltd. Stock listing: Tokyo Stock Exchange
 Securities code: 8935 URL: <https://www.fjnext.com>
 Representative: Yukiharu Hida, Chairman, President and CEO TEL: +81-3-6733-7711
 Inquiries: Atsushi Nagai, Senior Managing Director / Chief Director of Administration
 Date of filing of quarterly report: August 13, 2020 Date of commencement of dividend payment —
 The supplementary explanation document for the first-quarter of accounts is created. No
 The briefing for the first-quarter of accounts is held. No

(Millions of yen rounded down)

1. Consolidated Operating Results for the First Quarter of Fiscal Year Ending March 31, 2021 (From April 1, 2020 to June 30, 2020)

(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, 2021	12,256	(44.9)	851	(68.3)	827	(69.4)	514	(71.7)
1Q/ FY ended March 31, 2020	22,231	25.4	2,688	39.1	2,700	40.1	1,820	41.4

(Note)

Comprehensive income:

1Q/ FY ending March 31, 2021: ¥512 million (-72.0%)

1Q/ FY ended March 31, 2020: ¥1,829 million (42.0%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
1Q/ FY ending March 31, 2021	15.74	—
1Q/ FY ended March 31, 2020	55.69	—

(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, 2020	86,926	50,108	57.6	1,533.05
As of March 31, 2020	86,719	50,314	58.0	1,539.35

(Reference)

Shareholders' equity:

As of June 30, 2020: ¥50,108 million

As of March 31, 2020: ¥50,314 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, 2020	—	22.00	—	22.00	44.00
FY ending March 31, 2021	—				
FY ending March 31, 2021 (Forecast)		22.00	—	22.00	44.00

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

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(% 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	71,000	(16.3)	7,500	(28.0)	7,500	(27.4)	5,000	(25.7)	152.97

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

*Notes

(1) Changes in major subsidiaries during this three-month period ended June 30, 2020 (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, 2020	34,646,500 shares	FY ended March 31, 2020	34,646,500 shares
2) Amount of treasury stock at term-end	Three months ended June 30, 2020	1,961,157 shares	FY ended March 31, 2020	1,961,157 shares
3) Amount of average stock during term (Quarter accumulation)	Three months ended June 30, 2020	32,685,343 shares	Three months ended June 30, 2019	32,685,343 shares

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

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

(Notes on forward-looking statements)

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

Table of Contents of the appendix

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

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

(1) Explanation of Operating Results

During this three-month consolidation period (1Q for the fiscal year ending March 31, 2021), due to the spread of COVID-19, an emergency declaration was issued and economic activities rapidly stagnated, and extremely tough conditions continued in the Japanese economy. After the emergency declaration was lifted, conditions are expected to improve as the level of socio-economic activities is gradually raised while taking measures to prevent the spread of infection. However, there is concern about a resurgence of the virus, and the situation remains unpredictable.

Regarding the condominium marketplace in the Tokyo metropolitan area, due to the effects of COVID-19, the number of new condominiums offered in the Tokyo metropolitan area in the first half of 2020 (from January to June) decreased by 44.2% from the same period last year to 7,497 units. This is the first time that the number of new condominiums offered in the first half is below 10,000 units, and it is the lowest number in this survey. Also, the average ratio of the first month contracts consummated during the same period was 68.3%, that is, below 70%, which is said to be a rough indication of good sales performance. This indicates that consumers retain a cautious stance towards the continual rise of condominium prices (according to a survey by Real Estate Economic Institute Co., LTD.).

In the market for investment-type condominiums which compose our corporate group's main business area, lease demand remained strong in the Tokyo metropolitan area centering on singles. Purchase demand for investment-type condominiums is solid, supported by low interest rates and by increasing recognition as income-earning properties that can be expected to provide steady earnings. However, COVID-19 creates uncertainty for the future.

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.

As a result, during the consolidated cumulative first quarter under review, due to the effect of having temporarily refrained from sales activities in accordance with the emergency declaration in an effort to prevent the spread of COVID-19, net sales were ¥12,256 million (a decrease of 44.9% compared with the same period last year), operating income amounted ¥851 million (a decrease of 68.3% compared with the same period last year), and ordinary income was ¥827 million (a decrease of 69.4% compared with the same period last year). Furthermore, net income attributable to shareholders of parental company totaled ¥514 million (a decrease of 71.7% compared with the same period last year).

The operating results for each business segment are as follows:

(Real estate development segment)

During the consolidated cumulative first quarter under review, although the number of sales contracts was below the same period last year due to having temporarily refrained from sales activities in accordance with the emergency declaration, the current sales conditions improved due to the resumption of sales activities following the lifting of the declaration.

As a result, net sales were ¥4,012 million for newly built condominiums (153 units), ¥4,181 million for pre-owned condominiums (174 units), and ¥1,761 million from other income sources. Therefore, the total net sales in the segment reached ¥9,955 million (a decrease of 51.1% compared with the same period last year) and the segment profit was ¥586 million (a decrease of 75.5% compared with the same period last year).

Breakdown of net sales, etc.

Classification	Three-month consolidation period ended June 30, 2019 (Apr. 1, 2019 – June 30, 2019)			Three-month consolidation period ended June 30, 2020 (Apr. 1, 2020 – June 30, 2020)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	183	5,133	98.6	153	4,012	78.2
Gala Residence series	47	2,150	381.0	0	—	—
Pre-owned condominiums	467	11,420	135.0	174	4,181	36.6
Other income	—	1,644	104.5	—	1,761	107.1
Total	697	20,349	128.8	327	9,955	48.9

(Real estate management segment)

During the consolidated cumulative first quarter under review, as the result of new managed properties that were developed by the corporate group, the number of managed properties increased with the number of managed units for leasing reaching 16,180 and the number of buildings managed reaching 296.

As a result, net sales in the real estate management segment were ¥746 million (an increase of 6.1% compared with the same period last year), and segment profit was ¥210 million (an increase of 3.2% compared with the same period last year).

(Construction segment)

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

As a result, net sales in the construction segment were ¥1,471 million (an increase of 47.2% compared with the same period last year), and segment profit was ¥146 million (an increase of 47.8% compared with the same period last year).

(Japanese inn segment)

During the consolidated cumulative first quarter under review, in accordance with requests from local governments to suspend operations due to the spread of COVID-19, we closed inns from late April to mid May, including the Golden Week holiday period, in an effort to stop the spread of the virus.

As a result, in the Japanese inn segment, net sales decreased to ¥83 million (a decrease of 53.4% compared with the same period last year), and the segment posted a loss of ¥105 million (compared to a segment loss of ¥19 million in the same period last year).

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 ¥83,623 million, an increase of ¥248 million as compared with the end of the previous consolidated fiscal year. This is mainly caused by an increase of ¥1,469 million in real estate for sale and of ¥918 million in real estate for sale in process, while there was a decrease of ¥1,781 million in cash and deposits and of ¥315 million in notes and operating accounts receivable-trade. Non-current assets recorded ¥3,302 million, a decrease of ¥41 million as compared with the end of the previous consolidated fiscal year.

As a result, total assets were ¥86,926 million, an increase of ¥206 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 ¥21,927 million, a decrease of ¥2,129 million as compared with the end of the previous consolidated fiscal year. This is mainly because income taxes payable decreased by ¥1,748 million, short-term loans payable by ¥630 million, accrued consumption taxes by ¥304, and notes and accounts payable-trade by ¥220 million, while current portion of long-term loans payable increased by ¥424 million and accounts payable-other by ¥279 million. Non-current liabilities recorded ¥14,891 million, an increase of ¥2,542 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable increased by ¥2,525 million.

As a result, total liabilities were ¥36,818 million, an increase of ¥413 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 ¥50,108 million, a decrease of ¥206 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥514 million in net income attributable to shareholders of parental company, while a major decrease was ¥719 million in dividends of surplus.

As a result, the equity ratio was 57.6% (it was 58.0% 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, 2021, there has been no change to the forecasted numbers listed in the “Summary of Financial Results for the Fiscal Year Ended March 31, 2020” that was released on May 8, 2020.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets in the First Quarter

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
ASSETS		
Current assets		
Cash and deposits	22,129	20,347
Notes and operating accounts receivable-trade	4,743	4,428
Real estate for sale	29,850	31,320
Real estate for sale in process	25,848	26,766
Costs on uncompleted construction contracts	20	48
Raw materials and supplies	31	31
Advance payments-trade	86	70
Other	666	611
Allowance for doubtful accounts	(1)	(1)
Total current assets	83,375	83,623
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,668	1,672
Accumulated depreciation	(978)	(1,001)
Buildings and structures, net	690	670
Land	762	762
Other	327	405
Accumulated depreciation	(248)	(254)
Other, net	79	151
Total property, plant and equipment	1,532	1,585
Intangible assets	40	40
Investments and other assets		
Investment securities	242	240
Deferred tax assets	753	611
Other	784	835
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	1,770	1,677
Total non-current assets	3,343	3,302
Total assets	86,719	86,926

	As of March 31, 2020	As of June 30, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,273	1,052
Short-term loans payable	1,130	500
Current portion of long-term loans payable	16,024	16,449
Accounts payable-other	419	699
Income taxes payable	1,853	105
Accrued consumption taxes	413	108
Deposits received	1,891	1,920
Provision for bonuses	281	91
Other	769	999
Total current liabilities	24,056	21,927
Non-current liabilities		
Long-term loans payable	9,003	11,528
Provision for directors' retirement benefits	889	901
Net defined benefit liabilities	672	672
Long-term lease and guarantee deposited	1,714	1,720
Long-term deposits received	69	68
Total non-current liabilities	12,348	14,891
Total liabilities	36,405	36,818
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	45,695	45,491
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	50,313	50,109
Accumulated other comprehensive income		
Valuation difference on marketable securities	1	(0)
Remeasurements of defined benefit plans	(1)	(0)
Total accumulated other comprehensive income	0	(1)
Total net assets	50,314	50,108
Total liabilities and net assets	86,719	86,926

(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, 2020 (Apr. 1, 2019 - June 30, 2019)	1Q/ FY ending March 31, 2021 (Apr. 1, 2020 - June 30, 2020)
Net sales	22,231	12,256
Cost of sales	17,056	9,101
Gross profit	5,175	3,154
Selling, general and administrative expenses		
Advertising expenses	375	295
Salaries, allowances and bonuses	815	776
Provision for bonuses	76	81
Retirement benefit expenses	23	17
Provision for directors' retirement benefits	12	14
Other	1,183	1,117
Total selling, general and administrative expenses	2,487	2,302
Operating income	2,688	851
Non-operating income		
Interest income	0	0
Penalty income	19	6
Subsidy income	0	5
Other	3	1
Total non-operating income	23	13
Non-operating expenses		
Interest expenses	10	23
Commission fee	-	14
Other	0	1
Total non-operating expenses	11	38
Ordinary income	2,700	827
Income before income taxes	2,700	827
Income taxes-current	729	170
Income taxes-deferred	150	142
Total income taxes	880	312
Net income	1,820	514
Net income attributable to shareholders of parental company	1,820	514

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

(Millions of yen)

	1Q/ FY ended March 31, 2020 (Apr. 1, 2019 - June 30, 2019)	1Q/ FY ending March 31, 2021 (Apr. 1, 2020 - June 30, 2020)
Net income	1,820	514
Other comprehensive income		
Valuation difference on marketable securities	8	(1)
Remeasurements of defined benefit plans, net of tax	0	0
Total of other comprehensive income	8	(1)
Comprehensive income	1,829	512
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	1,829	512
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes Regarding Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(Additional Information)

(Concept for Impact of COVID-19 on Accounting Estimates)

There are no significant changes to the assumptions (including the end period for COVID-19) listed in "(Additional Information)" - "(Accounting Estimates due to the Impact of COVID-19)" in the securities report for the previous consolidated fiscal year.

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

None.

(Segment Information)

I. For the Three Months ended June 30, 2019 (From April 1, 2019 to June 30, 2019)

1. Information on the amount of sale and profit or loss for reported segments

(Millions of yen)

	Reported segment					Adjustment (Note) 1	Amounts shown on Quarterly Consolidated Statement of Income (Note) 2
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Total		
Net sales							
External customers	20,349	703	999	179	22,231	-	22,231
Inter-segment sales or exchange	3	101	14	6	125	(125)	-
Total	20,353	804	1,013	185	22,357	(125)	22,231
Segment profit (loss)	2,390	203	99	(19)	2,673	14	2,688

(Notes) 1. The adjustment amount of segment profit (loss) of ¥14 million includes ¥13 million in elimination of inter-segment transactions and ¥1 million in adjustments of inventories and non-current assets.

2. Segment profit (loss) is adjusted with operating income in the quarterly consolidated statement of income.

II. For the Three Months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

1. Information on the amount of sale and profit or loss for reported segments

(Millions of yen)

	Reported segment					Adjustment (Note) 1	Amounts shown on Quarterly Consolidated Statement of Income (Note) 2
	Real estate development segment	Real estate management segment	Construction segment	Japanese inn segment	Total		
Net sales							
External customers	9,955	746	1,471	83	12,256	-	12,256
Inter-segment sales or exchange	3	107	78	2	191	(191)	-
Total	9,958	853	1,549	85	12,448	(191)	12,256
Segment profit (loss)	586	210	146	(105)	838	13	851

(Notes) 1. The adjustment amount of segment profit (loss) of ¥13 million includes ¥13 million in elimination of inter-segment transactions and negative ¥0 million in adjustments of inventories and non-current assets.

2. Segment profit (loss) is adjusted with operating income in the quarterly consolidated statement of income.