

November 2, 2020

# Summary of Financial Results for the Second Quarter of Fiscal Year Ending March 31, 2021

## [Japanese Standards] (Consolidated)

Company name: FJ Next Co., Ltd. Stock listing: Tokyo Stock Exchange  
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 Date of filing of quarterly report: November 5, 2020 Date of commencement of dividend payment: December 2, 2020  
 The supplementary explanation document for the second-quarter of accounts is created. Yes  
 The briefing for the second-quarter of accounts is held. (for institutional investors and analysts) Yes

(Millions of yen rounded down)

### 1. Consolidated Operating Results for the Second Quarter of Fiscal Year Ending March 31, 2021

#### (From April 1, 2020 to September 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	%
2Q/ FY ending March 31, 2021	31,459	(26.6)	3,044	(36.7)	3,008	(37.2)	1,956	(36.4)
2Q/ FY ended March 31, 2020	42,868	16.1	4,807	12.0	4,790	11.7	3,078	13.2

(Note)

Comprehensive income:

2Q/ FY ending March 31, 2021: ¥1,953 million (-36.8%)

2Q/ FY ended March 31, 2020: ¥3,091 million (13.6%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
2Q/ FY ending March 31, 2021	59.86	—
2Q/ FY ended March 31, 2020	94.19	—

#### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets Per Share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	88,986	51,548	57.9	1,577.13
As of March 31, 2020	86,719	50,314	58.0	1,539.35

(Reference)

Shareholders' equity:

As of September 30, 2020: ¥51,548 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	—	22.00			
FY ending March 31, 2021 (Forecast)			—	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 six-month period ended September 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)

2) Amount of treasury stock at term-end

3) Amount of average stock during term (Quarter accumulation)

Six months ended September 30, 2020	34,646,500 shares	FY ended March 31, 2020	34,646,500 shares
Six months ended September 30, 2020	1,961,157 shares	FY ended March 31, 2020	1,961,157 shares
Six months ended September 30, 2020	32,685,343 shares	Six months ended September 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.

(How to obtain quarterly results supplementary explanation document and quarterly results briefing content)

The Company is planning to hold a briefing for institutional investors and analysts on Friday, November 13, 2020. The explanation document for the quarterly results used on this day will be posted to our website promptly after this event is held.

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# 1. Qualitative Information Regarding the Consolidated Financial Results in the Second Quarter

## (1) Explanation of Operating Results

During the first half of the fiscal year ending March 31, 2021, extremely tough conditions continued in the Japanese economy due to the spread of COVID-19. Although trends towards recovery can be seen in some areas due to the effect of various measures by the Japanese government and the recovery of overseas economies, it continues to be necessary to use caution regarding the impact of the pandemic spreading both in Japan and overseas, as well as the impact of fluctuations in the financial capital market.

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 the 2020 fiscal year (April to September) decreased by 26.2% from the same period last year to 8,851 units. Nevertheless, the average ratio of the first month contracts consummated during the same period was above 70%, which is said to be a rough indication of good sales performance. This ratio and other factors indicate movement towards positive trends in purchase demand after a period of correction (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. Amidst significant suppression of economic activities due to the impact of COVID-19, we are striving to advance our business while formulating various measures to prevent infection, and our corporate group's performance has started to pick up from the second quarter.

As a result, net sales were ¥31,459 million (a decrease of 26.6% compared with the same period last year), operating income amounted ¥3,044 million (a decrease of 36.7% compared with the same period last year), and ordinary income was ¥3,008 million (a decrease of 37.2% compared with the same period last year). Furthermore, net income attributable to shareholders of parental company totaled ¥1,956 million (a decrease of 36.4% compared with the same period last year).

The operating results for each business segment are as follows:

### *(Real estate development segment)*

During the first half of the fiscal year ending March 31, 2021, performance was below the same period last year due to the impact of measures such as temporary refraining from sales activities in accordance with the declaration of the state of emergency by the Japanese government. However, there is a recovering trend in sales with a focus on newly built condominiums, and business is proceeding largely according to plan.

As a result, net sales were ¥13,360 million for newly built condominiums (464 units), ¥9,624 million for pre-owned condominiums (392 units), and ¥3,572 million from other income sources. Therefore, the total net sales in the segment reached ¥26,558 million (a decrease of 31.3% compared with the same period last year) and the segment profit was ¥2,355 million (a decrease of 43.8% compared with the same period last year).

Breakdown of net sales, etc.

Classification	Six-month consolidation period ended September 30, 2019 (Apr. 1, 2019 – Sept. 30, 2019)			Six-month consolidation period ended September 30, 2020 (Apr. 1, 2020 – Sept. 30, 2020)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	359	9,723	98.4%	421	11,419	117.4%
Gala Residence series	123	5,491	154.2%	43	1,941	35.3%
Pre-owned condominiums	834	20,112	126.1%	392	9,624	47.9%
Other income	—	3,339	104.6%	—	3,572	107.0%
Total	1,316	38,667	118.7%	856	26,558	68.7%

### *(Real estate management segment)*

During the first half of the fiscal year ending March 31, 2021, 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 16,234 and the number of buildings managed reaching 299.

As a result, net sales in the real estate management segment were ¥1,533 million (an increase of 9.6% compared with the same period last year), and segment profit was ¥436 million (an increase of 10.1% compared with the same period last year).

***(Construction segment)***

During the first half of the fiscal year ending March 31, 2021, orders centered on condominium construction and largescale repairs were steady. Construction work progressed roughly as planned.

As a result, net sales in the construction segment were ¥2,954 million (an increase of 26.8% compared with the same period last year), and segment profit was ¥289 million (an increase of 39.8% compared with the same period last year).

***(Japanese inn segment)***

During the first half of the fiscal year ending March 31, 2021, in accordance with request from local governments to suspend operations due to the spread of COVID-19, we closed all four of our inns from late April to mid-May. As a result, the number of guests at our inns decreased compared with the same period last year. However, due to the Go To Travel Campaign and other measures aimed at stimulating demand, the occupancy rate from summer onwards remains at a level that exceeds last year.

As a result, in the Japanese inn segment, net sales decreased to ¥413 million (a decrease of 12.1% compared with the same period last year), and the segment posted a loss of ¥61 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**

### **1) Assets, liabilities and net assets**

***(Assets)***

At the end of the consolidated second quarter under review, current assets were ¥85,488 million, an increase of ¥2,112 million as compared with the end of the previous consolidated fiscal year. This is mainly because cash and deposits increased by ¥2,284 million, real estate for sale in process by ¥1,079 million, and advance payments-trade by ¥255 million, while real estate for sale decreased by ¥1,582 million. Non-current assets recorded ¥3,498 million, an increase of ¥154 million as compared with the end of the previous consolidated fiscal year.

As a result, total assets were ¥88,986 million, an increase of ¥2,267 million as compared with the end of the previous consolidated fiscal year.

***(Liabilities)***

At the end of the consolidated second quarter under review, current liabilities were ¥20,828 million, a decrease of ¥3,228 million as compared with the end of the previous consolidated fiscal year. This is mainly because current portion of long-term loans payable decreased by ¥1,682 million, short-term loans payable by ¥930 million, income taxes payable by ¥757 million, and accrued consumption taxes by ¥131 million, while provision for bonuses increased by ¥182 million. Non-current liabilities recorded ¥16,609 million, an increase of ¥4,260 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable increased by ¥4,215 million.

As a result, total liabilities were ¥37,437 million, an increase of ¥1,032 million as compared with the end of the previous consolidated fiscal year.

***(Net assets)***

At the end of the consolidated second quarter under review, total net assets were ¥51,548 million, an increase of ¥1,234 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥1,956 million in net income attributable to shareholders of parental company, while a ¥719 million decrease was recorded in dividends of surplus.

As a result, the equity ratio was 57.9% (it was 58.0% at the end of the previous consolidated fiscal year).

### **2) Situation of Cash Flows**

During the consolidated six-month period ended September 30, 2020, cash and cash equivalents (hereinafter "funds") were ¥24,242 million, an increase of ¥2,446 million as compared with the end of the previous consolidated fiscal year.

The situation and variable factors of each cash flow were as follows:

(Cash flows from operating activities)

Funds acquired from operating activities totaled ¥1,510 million (same period last year recorded an expenditure of ¥2,532 million). Major income consisted of ¥3,008 million in income before income taxes, a decrease of ¥375 million in inventories, and an increase of ¥182 million in provision for bonuses, while major expenditures resulted from ¥1,847 million in income taxes paid and an increase of ¥255 million in advance payments.

(Cash flows from investing activities)

Funds acquired from investing activities totaled ¥52 million (same period last year recorded an expenditure of ¥369 million). A major income was a decrease of ¥161 million in time deposits.

(Cash flows from financing activities)

Funds acquired from financing activities totaled ¥883 million (same period last year recorded an income of ¥599 million). A major income was ¥7,000 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 ¥4,467 million in repayments of long-term loans payable, ¥930 million in repayments of short-term loans payable, and ¥719 million in cash dividends paid.

### **(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 Second Quarter

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and deposits	22,129	24,413
Notes and operating accounts receivable-trade	4,743	4,841
Real estate for sale	29,850	28,267
Real estate for sale in process	25,848	26,927
Costs on uncompleted construction contracts	20	36
Raw materials and supplies	31	34
Advance payments-trade	86	341
Other	666	626
Allowance for doubtful accounts	(1)	(1)
<b>Total current assets</b>	<b>83,375</b>	<b>85,488</b>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	1,668	1,672
Accumulated depreciation	(978)	(1,024)
<b>Buildings and structures, net</b>	<b>690</b>	<b>647</b>
Land	762	762
Other	327	458
Accumulated depreciation	(248)	(260)
<b>Other, net</b>	<b>79</b>	<b>197</b>
<b>Total property, plant and equipment</b>	<b>1,532</b>	<b>1,608</b>
Intangible assets	40	39
Investments and other assets		
Investment securities	242	241
Deferred tax assets	753	819
Other	784	800
Allowance for doubtful accounts	(10)	(10)
<b>Total investments and other assets</b>	<b>1,770</b>	<b>1,850</b>
<b>Total non-current assets</b>	<b>3,343</b>	<b>3,498</b>
<b>Total assets</b>	<b>86,719</b>	<b>88,986</b>

	As of March 31, 2020	As of September 30, 2020
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,273	1,297
Short-term loans payable	1,130	200
Current portion of long-term loans payable	16,024	14,342
Accounts payable-other	419	435
Income taxes payable	1,853	1,095
Accrued consumption taxes	413	281
Deposits received	1,891	1,802
Provision for bonuses	281	463
Other	769	909
<b>Total current liabilities</b>	<b>24,056</b>	<b>20,828</b>
<b>Non-current liabilities</b>		
Long-term loans payable	9,003	13,218
Provision for directors' retirement benefits	889	914
Net defined benefit liabilities	672	681
Long-term lease and guarantee deposited	1,714	1,726
Long-term deposits received	69	68
<b>Total non-current liabilities</b>	<b>12,348</b>	<b>16,609</b>
<b>Total liabilities</b>	<b>36,405</b>	<b>37,437</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity</b>		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	45,695	46,933
Treasury stock	(1,211)	(1,211)
<b>Total shareholders' equity</b>	<b>50,313</b>	<b>51,551</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on marketable securities	1	(1)
Remeasurements of defined benefit plans	(1)	(0)
<b>Total accumulated other comprehensive income</b>	<b>0</b>	<b>(2)</b>
<b>Total net assets</b>	<b>50,314</b>	<b>51,548</b>
<b>Total liabilities and net assets</b>	<b>86,719</b>	<b>88,986</b>



## (2) Quarterly Consolidated Statements of Income and Comprehensive Income

## Quarterly Consolidated Statement of Income

(For the Six-Month Consolidation Period)

(Millions of yen)

	1Q-2Q/ FY ended March 31, 2020 (Apr. 1, 2019 - Sept. 30, 2019)	1Q-2Q/ FY ending March 31, 2021 (Apr. 1, 2020 - Sept. 30, 2020)
<b>Net sales</b>	<b>42,868</b>	<b>31,459</b>
<b>Cost of sales</b>	<b>33,069</b>	<b>23,643</b>
<b>Gross profit</b>	<b>9,799</b>	<b>7,815</b>
<b>Selling, general and administrative expenses</b>		
Advertising expenses	753	699
Salaries, allowances and bonuses	1,356	1,325
Provision for bonuses	481	444
Retirement benefit expenses	45	34
Provision for directors' retirement benefits	27	26
Other	2,328	2,240
<b>Total selling, general and administrative expenses</b>	<b>4,991</b>	<b>4,771</b>
<b>Operating income</b>	<b>4,807</b>	<b>3,044</b>
<b>Non-operating income</b>		
Interest income	0	0
Penalty income	24	10
Subsidy income	1	12
Other	6	5
<b>Total non-operating income</b>	<b>33</b>	<b>29</b>
<b>Non-operating expenses</b>		
Interest expenses	21	48
Commission fee	22	14
Other	6	1
<b>Total non-operating expenses</b>	<b>50</b>	<b>64</b>
<b>Ordinary income</b>	<b>4,790</b>	<b>3,008</b>
<b>Income before income taxes</b>	<b>4,790</b>	<b>3,008</b>
Income taxes-current	1,754	1,117
Income taxes-deferred	(42)	(65)
<b>Total income taxes</b>	<b>1,712</b>	<b>1,052</b>
<b>Net income</b>	<b>3,078</b>	<b>1,956</b>
<b>Net income attributable to shareholders of parental company</b>	<b>3,078</b>	<b>1,956</b>

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

(Millions of yen)

	1Q-2Q/ FY ended March 31, 2020 (Apr. 1, 2019 - Sept. 30, 2019)	1Q-2Q/ FY ending March 31, 2021 (Apr. 1, 2020 - Sept. 30, 2020)
<b>Net income</b>	<b>3,078</b>	<b>1,956</b>
<b>Other comprehensive income</b>		
Valuation difference on marketable securities	11	(3)
Remeasurements of defined benefit plans, net of tax	1	0
<b>Total of other comprehensive income</b>	<b>12</b>	<b>(2)</b>
<b>Comprehensive income</b>	<b>3,091</b>	<b>1,953</b>
<b>(Breakdown)</b>		
Comprehensive income attributable to shareholders of parental company	3,091	1,953
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statement of Cash Flows

(Millions of yen)

	1Q-2Q/ FY ended March 31, 2020 (Apr. 1, 2019 - Sept. 30, 2019)	1Q-2Q/ FY ending March 31, 2021 (Apr. 1, 2020 - Sept. 30, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes	4,790	3,008
Depreciation	120	170
Increase (decrease) in allowance for doubtful accounts	(0)	(0)
Increase (decrease) in provision for bonuses	233	182
Increase (decrease) in provision for directors' retirement benefits	27	25
Increase (decrease) in net defined benefit liabilities	16	9
Interest and dividend income	(2)	(2)
Interest expenses	21	48
Decrease (increase) in notes and accounts receivable-trade	719	(97)
Decrease (increase) in inventories	(5,413)	375
Increase (decrease) in notes and accounts payable-trade	74	24
Decrease (increase) in advance payments	3	(255)
Increase (decrease) in advances received	(599)	46
Increase (decrease) in lease and guarantee deposits received	29	12
Increase (decrease) in accrued consumption taxes	20	(91)
Other, net	(160)	(53)
<b>Subtotal</b>	<b>(116)</b>	<b>3,404</b>
Interest and dividend income received	2	2
Interest expenses paid	(23)	(49)
Income taxes paid	(2,394)	(1,847)
<b>Net cash provided by (used in) operating activities</b>	<b>(2,532)</b>	<b>1,510</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(319)	(18)
Purchase of investment securities	(2)	(3)
Decrease (increase) in time deposits	(38)	161
Other, net	(8)	(88)
<b>Net cash provided by (used in) investing activities</b>	<b>(369)</b>	<b>52</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	118	(930)
Proceeds from long-term loans payable	6,465	7,000
Repayments of long-term loans payable	(5,330)	(4,467)
Cash dividends paid	(653)	(719)
<b>Net cash provided by financing activities</b>	<b>599</b>	<b>883</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,302)</b>	<b>2,446</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>12,754</b>	<b>21,796</b>
<b>Cash and cash equivalents at the end of period</b>	<b>10,451</b>	<b>24,242</b>

(4) Notes Regarding Quarterly Consolidated Financial Statements

(Notes Regarding Going Concern)

None.

(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)

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

In regards to the assumed end period for COVID-19 as stated in the section entitled "(Additional Information)" - "(Accounting Estimates due to the Impact of COVID-19)" in the securities report for the previous consolidated fiscal year, we now predict that COVID-19 will continue for longer than initially expected. However, based on factors such as the continuance of business activities while formulating measures to prevent against infection, we have not made significant changes to the assumptions used in the accounting estimates.

This assumption is highly uncertain. If COVID-19 spreads in the future and our business activities are restricted due to circumstances such as the re-declaration of a state of emergency, future losses may occur.

(Segment Information)

I. For the Six Months ended September 30, 2019 (From April 1, 2019 to September 30, 2019)

1. Information on the amount of sales and profit 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	38,667	1,399	2,330	470	42,868	—	42,868
Inter-segment sales or exchange	7	203	21	7	240	(240)	—
Total	38,675	1,602	2,352	477	43,108	(240)	42,868
Segment profit (loss)	4,194	396	206	(19)	4,779	28	4,807

(Notes) 1. The adjustment amount of segment profit (loss) of ¥28 million includes ¥26 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 Six Months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

1. Information on the amount of sales and profit 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	26,558	1,533	2,954	413	31,459	—	31,459
Inter-segment sales or exchange	7	213	132	5	359	(359)	—
Total	26,566	1,746	3,087	418	31,819	(359)	31,459
Segment profit (loss)	2,355	436	289	(61)	3,020	24	3,044

(Notes) 1. The adjustment amount of segment profit (loss) of ¥24 million includes ¥26 million in elimination of inter-segment transactions and negative ¥2 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.