February 3, 2020

Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2020 [Japanese Standards] (Consolidated)

Company name:	FJ Next Co., Ltd.	Stock listing: Tokyo Stock Exchange	
Securities code:	8935	URL: https://www.fjnext.com	
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Date of filing of quarterly report:	February 7, 2020	Date of commencement of dividend payment:	—
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, 2020 (From April 1, 2019 to December 31, 2019)

(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, 2020	56,370	8.2	5,757	11.2	5,698	10.1	3,838	12.6
3Q/ FY ended March 31, 2019	52,078	21.9	5,176	44.5	5,174	44.7	3,410	46.8

(Note)
Comprehensive income:
3Q/ FY ending March 31, 2020: ¥3,863 million (13.7%)
3Q/ FY ended March 31, 2019: ¥3,398 million (46.0%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
3Q/ FY ending March 31, 2020	117.44	—
3Q/ FY ended March 31, 2019	104.34	—

(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, 2019	78,567	47,433	60.4	1,451.23
As of March 31, 2019	72,686	44,942	61.8	1,375.02

(Reference)
Shareholders' equity:
As of December 31, 2019: ¥47,433 million
As of March 31, 2019: ¥44,942 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, 2019	—	16.00	—	20.00	36.00
FY ending March 31, 2020	—	22.00	—		
FY ending March 31, 2020 (Forecast)				22.00	44.00

(Note) Revision to the latest forecast of dividends: No
The year-end dividend for the year ended March 31, 2019, is made up of a 16-yen ordinary dividend, and a 4-yen special dividend.

3. Forecasts of Consolidated Operating Results for the Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(% 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	90,000	10.4	11,000	9.0	11,000	9.0	7,000	7.1	214.16

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

*Notes

(1) Changes in major subsidiaries during this nine-month period ended December 31, 2019 (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, 2019	34,646,500 shares	FY ended March 31, 2019	34,646,500 shares
2) Amount of treasury stock at term-end	Nine months ended December 31, 2019	1,961,157 shares	FY ended March 31, 2019	1,961,157 shares
3) Amount of average stock during term (Quarter accumulation)	Nine months ended December 31, 2019	32,685,343 shares	Nine months ended December 31, 2018	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 Third 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 3
2. Consolidated Financial Statements and Important Notes 4
(1) Consolidated Balance Sheets in the Third Quarter 4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income 6
Quarterly Consolidated Statement of Income 6
(For the Nine-Month Consolidation Period) 6
Quarterly Consolidated Statement of Comprehensive Income 7
(For the Nine-Month Consolidation Period) 7
(3) Notes Regarding Quarterly Consolidated Financial Statements 8
(Notes Regarding Going Concern) 8
(Notes in Event of Significant Changes in Shareholders' Equity) 8
(Application of Accounting Methods Specific to the Preparation of Quarterly Consolidated Financial Statements) 8
(Segment Information) 8

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

(1) Explanation of Operating Results

During this nine-month consolidation period (three quarters of the fiscal year ending March 31, 2020), the economy in Japan continued on a gradual recovery trend. While there were certain signs of weakness centering on exports, there were a number of positive tendencies as well, including continuing improvements in wages and employment conditions primarily as a result of the effects of various political policies implemented by the current administration. On the other hand, future conditions remained uncertain due to factors such as the influence of commerce problems on global economy and fluctuations in the financial and capital markets.

Regarding the condominium marketplace in the Tokyo metropolitan area, due to the effects of continually high construction costs and an increase in the land acquisition costs, the number of new condominiums offered in the Tokyo metropolitan area during 2019 (January to December) decreased by 15.9% from the same period last year to 31,238 units. Also, the average ratio of the first month contracts consummated during the same period was 62.6%, that is, below 70%, which is said to be a rough indication of good sales performance. Although there is high demand for properties which are located downtown or near a railway station mainly among double-income households that value the proximity of their residence and workplace, consumers are showing a cautious stance towards the continual rise of condominium prices. (according to a survey by Real Estate Economic Institute Co., LTD.).

The market for investment-type condominiums which compose our corporate group's main business area is showing comparatively steady trends. Lease demand remained strong in the Tokyo metropolitan area centering on singles. In terms of purchase demand, low interest rates also support increased recognition for investment-type condominiums as operation commodities, which can be expected to provide steady earnings.

Under this business environment, our corporate group has been striving to enhance the customer support system, strengthen our brand name and expand the development and sales of the "Gala Condominium series" which provide various advantages for asset management mainly in the Tokyo metropolitan area, and "Gala Residence series" which are condominiums designed for families under our own brand.

As a result, during the consolidated cumulative third quarter under review, net sales were ¥56,370 million (an increase of 8.2% compared with the same period last year), operating income amounted ¥5,757 million (an increase of 11.2% compared with the same period last year), and ordinary income was ¥5,698 million (an increase of 10.1% compared with the same period last year). Furthermore, net income attributable to shareholders of parental company totaled ¥3,838 million (an increase of 12.6% compared with the same period last year).

The operating results for each business segment are as follows:

(Real estate development segment)

During the first nine months of the fiscal year ending March 31, 2020, our corporate group concentrated on sales of newly built properties such as Gala Precious Nerima, Gala Hills Shinagawa Shimo-Shimmei and Gala Residence Motosumiyoshi. We also actively conducted sales of pre-owned condominiums (1,080 units).

As a result, the segment posted net sales of ¥37,564 million for the studio-type condominiums (1,527 units), ¥7,062 million for the family-type condominiums (160 units), and ¥5,115 million from other income sources. Therefore, the total net sales of the segment reached ¥49,743 million (an increase of 9.3% compared with the same period last year) and the segment profit was ¥4,891 million (an increase of 19.6% compared with the same period last year).

(Real estate management segment)

During the first nine months of the fiscal year ending March 31, 2020, in addition to the new managed properties that were developed by the corporate group, we have also actively striven to acquire outside orders for property management; as a result, the number of managed properties increased with the number of managed units for leasing reaching 15,690 and the number of buildings managed reaching 287.

As a result, net sales in the real estate management segment were ¥2,125 million (an increase of 10.6% compared with the same period last year), while segment profit was ¥522 million (a decrease of 18.0% compared with the same period last year) due to an increase in the personnel expenses and other costs.

(Construction segment)

During the first nine months of the fiscal year ending March 31, 2020, orders centered on condominium construction and large-scale repairs were steady. Construction work progressed as planned.

As a result, construction segment posted net sales of ¥3,786 million (a decrease of 6.5% compared with the same period last year), and segment profit was ¥344 million (a decrease of 14.9% compared with the same period last year).

(Japanese inn segment)

Although Seiryuso, a newly acquired property, made a contribution to the net sales in the first nine months of the fiscal year ending March 31, 2020, Profits was lower than the plan due to the initial costs related to the acquisition of that and typhoons and other reasons including existing inns.

As a result, in the Japanese inn segment, net sales increased to ¥714 million (an increase of 17.7% compared with the same period last year), and the segment posted a loss of ¥35 million (as against a profit of ¥10 million posted in the same period last year).

Note that among the real estate development business, which is the main line of business of our corporate group, for sales of condominiums only the proceeds from condominiums that have been actually handed over to the customer are posted. Therefore, there might 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 third quarter under review, current assets were ¥75,246 million, an increase of ¥5,814 million as compared with the end of the previous consolidated fiscal year. This is mainly because cash and deposits decreased by ¥3,725 million, while real estate for sale increased by ¥8,103 million, real estate for sale in process by ¥921 million, and notes and operating accounts receivable-trade by ¥252 million. Non-current assets recorded ¥3,320 million, an increase of ¥66 million as compared with the end of the previous consolidated fiscal year. This is mainly caused by an increase of ¥336 million in property, plant, and equipment due to the acquisition of the hot-spring inn Seiryuso, while there was a decrease of ¥267 million in investments and other assets.

As a result, total assets were ¥78,567 million, an increase of ¥5,881 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 ¥16,143 million, an increase of ¥756 million as compared with the end of the previous consolidated fiscal year. This is mainly because income taxes payable decreased by ¥2,382 million and notes and accounts payable-trade by ¥729 million, while current portion of long-term loans payable increased by ¥3,045 million, short-term loans payable by ¥1,218 million, and deposits received by ¥234 million. Non-current liabilities recorded ¥14,990 million, an increase of ¥2,634 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable increased by ¥2,485 million.

As a result, total liabilities were ¥31,133 million, an increase of ¥3,390 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 ¥47,433 million, an increase of ¥2,490 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥3,838 million in net income attributable to shareholders of parental company, while a ¥1,372 million decrease was recorded in dividends of surplus.

As a result, the equity ratio was 60.4% (it was 61.8% 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, 2020, there has been no change to the forecasted numbers listed in the “Summary of Financial Results for the Fiscal Year Ended March 31, 2019” that was released on May 9, 2019.

2. Consolidated Financial Statements and Important Notes

(1) Consolidated Balance Sheets in the Third Quarter

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
ASSETS		
Current assets		
Cash and deposits	12,895	9,169
Notes and operating accounts receivable-trade	3,543	3,796
Real estate for sale	25,450	33,554
Real estate for sale in process	26,678	27,599
Costs on uncompleted construction contracts	22	64
Raw materials and supplies	20	47
Advance payments-trade	208	173
Other	614	842
Allowance for doubtful accounts	(1)	(1)
Total current assets	**69,431**	**75,246**
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,429	1,665
Accumulated depreciation	(890)	(954)
Buildings and structures, net	**538**	**710**
Land	594	762
Other	330	307
Accumulated depreciation	(258)	(240)
Other, net	**72**	**66**
Total property, plant and equipment	**1,204**	**1,540**
Intangible assets	43	41
Investments and other assets		
Investment securities	236	275
Deferred tax assets	721	650
Other	1,058	822
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	**2,006**	**1,738**
Total non-current assets	**3,254**	**3,320**
Total assets	**72,686**	**78,567**

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,875	1,145
Short-term loans payable	332	1,550
Current portion of long-term loans payable	6,660	9,705
Accounts payable-other	518	419
Income taxes payable	2,425	42
Accrued consumption taxes	79	43
Deposits received	1,799	2,034
Provision for bonuses	266	303
Other	1,428	900
Total current liabilities	**15,387**	**16,143**
Non-current liabilities		
Long-term loans payable	9,230	11,715
Provision for directors' retirement benefits	832	874
Net defined benefit liabilities	621	662
Long-term lease and guarantee deposited	1,603	1,665
Long-term deposits received	68	72
Total non-current liabilities	**12,356**	**14,990**
Total liabilities	**27,743**	**31,133**
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	40,336	42,801
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	**44,953**	**47,419**
Accumulated other comprehensive income		
Valuation difference on marketable securities	1	24
Remeasurements of defined benefit plans	(12)	(10)
Total accumulated other comprehensive income	**(11)**	**14**
Total net assets	**44,942**	**47,433**
Total liabilities and net assets	**72,686**	**78,567**

(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, 2019 (Apr. 1, 2018 – Dec. 31, 2018)	1Q-3Q/ FY ending March 31, 2020 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	**52,078**	**56,370**
Cost of sales	**40,142**	**43,280**
Gross profit	**11,935**	**13,089**
Selling, general and administrative expenses		
Advertising expenses	925	1,086
Salaries, allowances and bonuses	2,304	2,445
Provision for bonuses	300	292
Retirement benefit expenses	62	68
Provision for directors' retirement benefits	38	41
Other	3,127	3,397
Total selling, general and administrative expenses	**6,758**	**7,332**
Operating income	**5,176**	**5,757**
Non-operating income		
Interest income	0	0
Penalty income	18	26
Subsidy income	7	1
Other	8	10
Total non-operating income	**34**	**39**
Non-operating expenses		
Interest expenses	35	37
Commission fee	—	54
Other	1	6
Total non-operating expenses	**36**	**98**
Ordinary income	**5,174**	**5,698**
Income before income taxes	**5,174**	**5,698**
Income taxes-current	1,745	1,800
Income taxes-deferred	18	59
Total income taxes	**1,764**	**1,859**
Net income	3,410	3,838
Net income attributable to shareholders of parental company	**3,410**	**3,838**

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

(Millions of yen)

	1Q-3Q/ FY ended March 31, 2019 (Apr. 1, 2018 – Dec. 31, 2018)	1Q-3Q/ FY ending March 31, 2020 (Apr. 1, 2019 – Dec. 31, 2019)
Net income	**3,410**	**3,838**
Other comprehensive income		
Valuation difference on marketable securities	(11)	23
Remeasurements of defined benefit plans, net of tax	—	1
Total of other comprehensive income	**(11)**	**25**
Comprehensive income	**3,398**	**3,863**
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	3,398	3,863
Comprehensive income attributable to non-controlling interests	—	—

(3) 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.

(Segment Information)

I. For the Nine Months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

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	45,498	1,921	4,050	607	52,078	—	52,078
Inter-segment sales or exchange	8	298	53	10	371	(371)	—
Total	45,507	2,220	4,104	617	52,450	(371)	52,078
Segment profit	4,088	637	404	10	5,140	36	5,176

(Notes) 1. The adjustment amount of segment profit of ¥36 million includes ¥39 million in elimination of inter-segment transactions and negative ¥2 million in adjustments of inventories and non-current assets.

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

II. For the Nine Months ended December 31, 2019 (From April 1, 2019 to December 31, 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	49,743	2,125	3,786	714	56,370	—	56,370
Inter-segment sales or exchange	11,635	308	113	9	442	(442)	—
Total	49,754	2,434	3,899	724	56,812	(442)	56,370
Segment profit (loss)	4,891	522	344	(35)	5,722	34	5,757

(Notes) 1. The adjustment amount of segment profit (loss) of ¥34 million includes ¥40 million in elimination of inter-segment transactions and negative ¥5 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.