February 3, 2021

Summary of Financial Results for the Third 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:	February 15, 2021	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, 2021 (From April 1, 2020 to December 31, 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	%
3Q/ FY ending March 31, 2021	48,186	(14.5)	4,639	(19.4)	4,581	(19.6)	3,097	(19.3)
3Q/ FY ended March 31, 2020	56,370	8.2	5,757	11.2	5,698	10.1	3,838	12.6

(Note)
Comprehensive income:
3Q/ FY ending March 31, 2021: ¥3,098 million (-19.8%)
3Q/ FY ended March 31, 2020: ¥3,863 million (13.7%)

	Net Income Per Share	Net Income Per Share After Dilution
	Yen	Yen
3Q/ FY ending March 31, 2021	94.78	—
3Q/ FY ended March 31, 2020	117.44	—

(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, 2020	86,349	51,974	60.2	1,590.14
As of March 31, 2020	86,719	50,314	58.0	1,539.35

(Reference)
Shareholders' equity:
As of December 31, 2020: ¥51,974 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 nine-month period ended December 31, 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)	Nine months ended December 31, 2020	34,646,500 shares	FY ended March 31, 2020	34,646,500 shares
2) Amount of treasury stock at term-end	Nine months ended December 31, 2020	1,961,157 shares	FY ended March 31, 2020	1,961,157 shares
3) Amount of average stock during term (Quarter accumulation)	Nine months ended December 31, 2020	32,685,343 shares	Nine months ended December 31, 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 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
(Additional Information)....8
(Segment Information)....8
(Significant subsequent events) 9

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, 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, the future remains uncertain due to factors such as the spread of COVID-19 in Japan and overseas, as well as 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 2020 (January to December) decreased by 12.8% from last year to 27,228 units. Furthermore, an adjustment period continues in terms of purchase demand; for example, the average ratio of the first month contracts consummated during the same period was below 70%, which is said to be a rough indication of good sales performance. On the other hand, the number of new condominiums supplied in the second half of the year (July to December) is in a recovering trend and shows movement in a positive direction (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 ¥48,186 million (a decrease of 14.5% compared with the same period last year), operating income amounted ¥4,639 million (a decrease of 19.4% compared with the same period last year), and ordinary income was ¥4,581 million (a decrease of 19.6% compared with the same period last year). Furthermore, net income attributable to shareholders of parental company totaled ¥3,097 million (a decrease of 19.3% 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, 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 in April 2020. 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 ¥19,836 million for newly built condominiums (706 units), ¥15,561 million for pre-owned condominiums (627 units), and ¥5,352 million from other income sources. Therefore, the total net sales in the segment reached ¥40,751 million (a decrease of 18.1% compared with the same period last year) and the segment profit was ¥3,513 million (a decrease of 28.2% compared with the same period last year).

Breakdown of net sales, etc.

Classification	Nine-month consolidation period ended December 31, 2019 (Apr. 1, 2019 – Dec. 31, 2019)			Nine-month consolidation period ended December 31, 2020 (Apr. 1, 2020 – Dec. 31, 2020)		
	No. of Units	Amount (millions of yen)	YOY (%)	No. of Units	Amount (millions of yen)	YOY (%)
Gala Condominium series	481	12,946	116.1%	657	17,642	136.3%
Gala Residence series	126	5,666	148.9%	49	2,194	38.7%
Pre-owned condominiums	1,080	26,013	100.9%	627	15,561	59.8%
Other income	―	5,115	107.7%	―	5,352	104.6%
Total	1,687	49,743	109.3%	1,333	40,751	81.9%

(Real estate management segment)

During the first nine months 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 16,513

and the number of buildings managed reaching 303.
As a result, net sales in the real estate management segment were ¥2,317 million (an increase of 9.0% compared with the same period last year), and segment profit was ¥648 million (an increase of 24.2% compared with the same period last year).

(Construction segment)
During the first nine months 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 ¥4,322 million (an increase of 14.1% compared with the same period last year), and segment profit was ¥440 million (an increase of 27.9% compared with the same period last year).

(Japanese inn segment)
During the first nine months 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, the Japanese inn segment faced tough conditions due to the closure of all four of our inns from late April to mid-May. 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 increased to ¥795 million (an increase of 11.3% compared with the same period last year), and segment profit was ¥1 million (compared to a segment loss of ¥35 million 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 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 third quarter under review, current assets were ¥74,645 million, a decrease of ¥8,730 million as compared with the end of the previous consolidated fiscal year. This is mainly because real estate for sale decreased by ¥10,361 million, while advance payments-trade increased by ¥553 million, notes and operating accounts receivable-trade by ¥493 million, cash and deposits by ¥234 million, and costs on uncompleted construction contracts by ¥123 million. Non-current assets recorded ¥11,703 million, an increase of ¥8,360 million as compared with the end of the previous consolidated fiscal year. The main reason for the decrease in real estate for sale and the increase in non-current assets was that the purpose for holding a portion of the real estate for sale was changed, which resulted in ¥8,337 million of real estate for sale being reclassified as property, plant, and equipment (¥4,495 million as buildings and structures, and ¥3,841 million as land). As a result, total assets were ¥86,349 million, a decrease of ¥370 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 ¥16,183 million, a decrease of ¥7,873 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 ¥5,425 million, income taxes payable by ¥1,669 million, short-term loans payable by ¥1,130 million, and notes and accounts payable-trade by ¥123 million, while deposits received increased by ¥142 million. Non-current liabilities recorded ¥18,191 million, an increase of ¥5,842 million as compared with the end of the previous consolidated fiscal year. This is mainly because long-term loans payable increased by ¥5,775 million. As a result, total liabilities were ¥34,374 million, a decrease of ¥2,030 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 ¥51,974 million, an increase of ¥1,660 million as compared with the end of the previous consolidated fiscal year. A major increase was ¥3,097 million in net income attributable to shareholders of parental company, while a ¥1,438 million decrease was recorded in dividends of surplus. As a result, the equity ratio was 60.2% (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 Third Quarter

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
ASSETS		
Current assets		
Cash and deposits	22,129	22,363
Notes and operating accounts receivable-trade	4,743	5,236
Real estate for sale	29,850	19,488
Real estate for sale in process	25,848	25,796
Costs on uncompleted construction contracts	20	143
Raw materials and supplies	31	37
Advance payments-trade	86	639
Other	666	940
Allowance for doubtful accounts	(1)	(1)
Total current assets	**83,375**	**74,645**
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,668	6,340
Accumulated depreciation	(978)	(1,080)
Buildings and structures, net	**690**	**5,260**
Land	762	4,604
Other	327	347
Accumulated depreciation	(248)	(268)
Other, net	**79**	**78**
Total property, plant and equipment	**1,532**	**9,944**
Intangible assets	40	38
Investments and other assets		
Investment securities	242	248
Deferred tax assets	753	713
Other	784	769
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	**1,770**	**1,721**
Total non-current assets	**3,343**	**11,703**
Total assets	**86,719**	**86,349**

(Millions of yen)

	As of March 31, 2020	As of December 31, 2020
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	1,273	1,150
Short-term loans payable	1,130	—
Current portion of long-term loans payable	16,024	10,599
Accounts payable-other	419	512
Income taxes payable	1,853	184
Accrued consumption taxes	413	428
Deposits received	1,891	2,034
Provision for bonuses	281	268
Other	769	1,003
Total current liabilities	**24,056**	**16,183**
Non-current liabilities		
Long-term loans payable	9,003	14,778
Provision for directors' retirement benefits	889	926
Net defined benefit liabilities	672	691
Long-term lease and guarantee deposited	1,714	1,725
Long-term deposits received	69	69
Total non-current liabilities	**12,348**	**18,191**
Total liabilities	**36,405**	**34,374**
NET ASSETS		
Shareholders' equity		
Capital stock	2,774	2,774
Capital surplus	3,054	3,054
Retained earnings	45,695	47,355
Treasury stock	(1,211)	(1,211)
Total shareholders' equity	**50,313**	**51,973**
Accumulated other comprehensive income		
Valuation difference on marketable securities	1	1
Remeasurements of defined benefit plans	(1)	(0)
Total accumulated other comprehensive income	**0**	**1**
Total net assets	**50,314**	**51,974**
Total liabilities and net assets	**86,719**	**86,349**

(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, 2020 (Apr. 1, 2019 – Dec. 31, 2019)	1Q-3Q/ FY ending March 31, 2021 (Apr. 1, 2020 – Dec. 31, 2020)
Net sales	**56,370**	**48,186**
Cost of sales	**43,280**	**36,176**
Gross profit	**13,089**	**12,010**
Selling, general and administrative expenses		
Advertising expenses	1,086	1,122
Salaries, allowances and bonuses	2,445	2,387
Provision for bonuses	292	258
Retirement benefit expenses	68	52
Provision for directors' retirement benefits	41	39
Other	3,397	3,510
Total selling, general and administrative expenses	**7,332**	**7,370**
Operating income	**5,757**	**4,639**
Non-operating income		
Interest income	0	0
Penalty income	26	17
Subsidy income	1	28
Other	10	10
Total non-operating income	**39**	**56**
Non-operating expenses		
Interest expenses	37	75
Commission fee	54	36
Other	6	2
Total non-operating expenses	**98**	**114**
Ordinary income	**5,698**	**4,581**
Income before income taxes	**5,698**	**4,581**
Income taxes-current	1,800	1,444
Income taxes-deferred	59	39
Total income taxes	**1,859**	**1,483**
Net income	3,838	3,097
Net income attributable to shareholders of parental company	**3,838**	**3,097**

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

(Millions of yen)

	1Q-3Q/ FY ended March 31, 2020 (Apr. 1, 2019 – Dec. 31, 2019)	1Q-3Q/ FY ending March 31, 2021 (Apr. 1, 2020 – Dec. 31, 2020)
Net income	**3,838**	**3,097**
Other comprehensive income		
Valuation difference on marketable securities	23	(0)
Remeasurements of defined benefit plans, net of tax	1	0
Total of other comprehensive income	**25**	**0**
Comprehensive income	**3,863**	**3,098**
(Breakdown)		
Comprehensive income attributable to shareholders of parental company	3,863	3,098
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.

(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, COVID-19 is continuing 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, future losses may occur.

(Change in Purpose for Holding)

During the third quarter of the fiscal year ending March 31, 2021, in conjunction with a change in purpose for holding a portion of the real estate for sale, ¥8,337 million of real estate for sale was reclassified as property, plant, and equipment (¥4,495 million as buildings and structures, and ¥3,841 million as land).

(Segment Information)

I. 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	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.

II. For the Nine Months ended December 31, 2020 (From April 1, 2020 to December 31, 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	40,751	2,317	4,322	795	48,186	—	48,186
Inter-segment sales or exchange	12	319	181	9	522	(522)	—
Total	40,764	2,636	4,503	804	48,709	(522)	48,186
Segment profit	3,513	648	440	1	4,603	35	4,639

(Notes) 1. The adjustment amount of segment profit of ¥35 million includes ¥39 million in elimination of inter-segment transactions and negative ¥3 million in adjustments of inventories and non-current assets.

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

(Significant subsequent events)

"Establishment of Split Preparation Company pursuant to Transition to a Holding Company Structure through a Company Split."

At Board of Directors Meeting held on January 26 2021,FJ Next Co., Ltd resolved to establish a Split Preparation Company as a wholly-owned subsidiary.
This is in order to transition to a holding company structure through a company split on October 1, 2021.