

	Fuji Corporation Ltd. (8860)
	

President Nobutsuna Miyawaki

Company Information

Exchange	TSE 1st Section
Industry	Real Estate
President	Nobutsuna Miyawaki
HQ Address	1-4-23 Habucho, Kishiwada-shi, Osaka
Year-end	End of March
Homepage	https://www.fuji-jutaku.co.jp/english/

Stock Information

Share Price	Share Outstanding		Market Cap.	ROE (Act.)	Trading Unit
¥700	35,357,472 shares		¥24,750 million	11.9%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥27.00	3.86%	¥93.33	7.50 x	¥1,068.69	0.66 x

*The share price is the closing price on December 10, 2019. The number of shares issued at the end of the most recent quarter excludes its treasury shares.

*ROE and BPS are based on FY 3/19 earnings results, and EPS is based on FY 3/20 earnings estimates. Figures are rounded to the nearest decimal point.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2016	90,726	5,441	5,298	3,430	95.18	26.00
March 2017	99,359	5,969	5,721	3,945	110.06	26.00
March 2018	103,880	6,438	6,139	4,168	116.08	27.00
March 2019	115,710	6,636	6,445	4,298	120.40	27.00
March 2020 Est.	107,000	5,300	5,000	3,300	93.33	27.00

*Units: ¥mn

*Forecasts are those of the company.

This Bridge Report provides information about the first half of Fiscal Year ending March 2020 earnings results and other details of Fuji Corporation Ltd.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. New Mid-term profit plan \(FY 3/2020 to FY 3/2022\)](#)

[3. First Half of Fiscal Year March 2020 Earnings Results](#)

[4. Fiscal Year March 2020 Earnings Estimates](#)

[5. Conclusions](#)

[<Reference: Regarding Corporate Governance>](#)

Key Points

- For first half of fiscal year March 2020, sales and ordinary income decreased 4.3% and 22.0%, respectively, year on year. Sales grew in the housing distribution business, in which used residential properties increased, and the property leasing and management business, in which rent income increased. However, sales decreased in the residential properties for sales business, in which free-designed homes decreased, and the effective land utilization business, in which rental apartments for sale to individual investors decreased. Profit grew in the housing distribution business, in which the number of used residential properties delivered increased, and the property leasing and management business, in which sales increased, but it decreased in the effective land utilization business and the residential properties for sales business, in which the number of delivered houses decreased. The amount of order contracts, which reflects the actual sales conditions, decreased 0.5% year on year due to a decrease of orders for free-designed homes in the residential properties for sales business and orders for apartments for seniors with nursing-care services in the effective land utilization business.
- For fiscal year March 2020, the company did not change the initial estimates: a decrease of 7.5% year on year in sales and a decrease of 22.4% year on year in ordinary income. The estimates took into consideration the fact that the term is the transitional period for the supply of condominiums. Some negative factors, such as the increase in land price, the skyrocketing of construction prices, and the consumption tax hike, were also taken into consideration. The annual dividend amount is estimated to be 27 yen/share (an interim dividend of 14 yen/share and a term-end dividend of 13 yen/share), unchanged from the previous term.
- It was confirmed that orders for used residential properties remained strong in the second quarter. It is presumed that the effect of strengthening the purchase of highly profitable houses in Osaka City, Hokusetsu and Hanshinkan areas is already appearing. Although many of the orders that the company received in the second half will be recorded in the next fiscal year or later, some orders of used residential properties will be recorded in the current fiscal year. We would like to focus on the trend in orders for used residential properties in the following third quarter (October-December) to see to what extent the orders can be accumulated to achieve the company's earnings estimates for the current term.

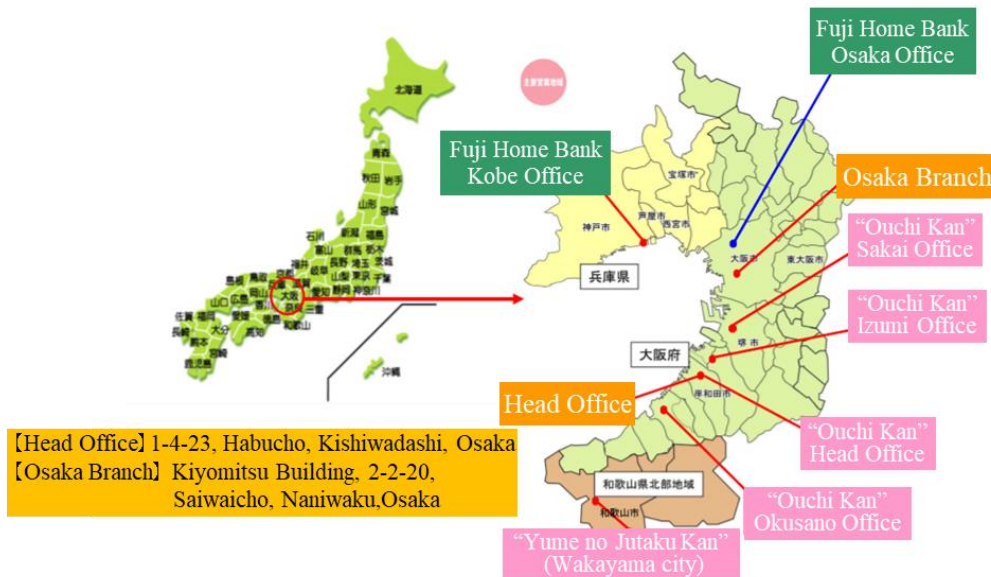
1. Company Overview

Fuji Corporation Ltd. provides various real estate related services including sales of new and used condominiums and detached homes primarily in Osaka Prefecture (where the Company is based), between Osaka and Kobe, and within Wakayama City. Their main business is the sale of detached homes, albeit a built-for-sale type, that would maximize customer satisfaction by allowing for the “free-design home” regarding layout, specifications, etc. within the boundaries of Japan’s Building Standards Act. Fuji also boasts of strengths in the development of properties where 50 to 200 homes are constructed in coordination with the surrounding environment and each other to provide uniformity in neighborhoods. The other main pillars of the Company’s business include renovation and sale of used residential properties, collaboration with financial institutions for effective land utilization, sales of rental apartments for sale to individual investors, property leasing and management services.

Fuji boasts of unique knowhow developed in various businesses realms derived from its sales agency and detached home services. Furthermore, the complementary and synergistic effects that occur between its various business divisions allow the Company as a Complete Home Provider to respond with solutions that match the needs of home owners and residents in various geographic regions and times. Another strength of Fuji is local community-based management to match the time and place of the markets, and to maintain

high levels of customer satisfaction by upholding the principles of “never ignoring customers after the sale” and “never ignoring customers after the completion of construction.”

Main Offices and Sales store



(Source: Fuji Corporation)

1-1 Business Description

Residential Properties for Sales (25.7% of Total Sales for the consolidated cumulative second quarter of the fiscal year ending March 2020)

Sales of detached homes and condominiums are conducted in this business. A characteristic of this business is Fuji’s ability to develop neighborhoods of new detached homes in 50 to 200 units that match the local neighborhoods, and to allow its customers to participate in the designing of the property. More specifically, these “free-design” homes respond to the needs of individual customers by allowing them to customize the layout and specification of the homes to suit their tastes and needs. Furthermore, new condominiums for sale are also included in the residential properties for sales business segment. Fuji halted the condominium for sale business in spring of 2005, based upon the outlook for a weakening in pricing due to declines in demand and increases in supplies. However, in the aftermath of the Lehman Shock, declines in land prices and improvements in supply and demand conditions in the condominiums for sale market led Fuji to restart the condominiums for sale business in February 2012. Another feature of Fuji is its focus upon condominiums and residential properties that are carefully selected (such as their convenient proximity to stations) and that are attractively priced for first-time buyers.



(Source: Fuji Corporation)

“Nishinomiya Hama Kohshien” (Nishinomiya City, Hyogo)

Housing Distribution (36.5% of Total Sales for the consolidated cumulative second quarter of the fiscal year ending March 2020)

Sales of refurbished used residential property called "Kaizo Kun" is conducted in this business segment. "Kaizo Kun" refurbished used residential properties are used residential properties purchased for renovation and sales. Fuji's unique knowhow is leveraged in local community-based management and manualized procedure for renovation.



(Source: Fuji Corporation)

"Ouchi Kan" Housing information exhibition hall where visitors are able to see and choose freely. (Kishiwada City, Osaka)

Effective Land Utilization (18.5% of Total Sales for the consolidated cumulative second quarter of the fiscal year ending March 2020)

Contract construction for leased properties and sales of rental apartment for sale to individual investors are conducted in this business. Construction work is performed for construction of rental residential properties sold on a proposal basis and leverages Fuji's knowhow developed in its property leasing and management business. In addition, Fuji purchases lands and then constructs rental apartment buildings for sale to individual investor in this business. The highly price competitive wooden structure apartments called "Fuji Palace" were launched in November 2008, subsequently affordable rental apartments for seniors with nursing-care service, which are called "Fuji Palace Senior" as a means of differentiation. With regards to rental apartments for sales to individual investors, the price for apartments is roughly ¥100 million, and the demand for these types of rental properties remains strong as a fund management method. In addition, recently, the Company has been proactively developing affordable rental apartments for seniors with nursing-care services.



(Source: Fuji Corporation)

Low-rent affordable rental apartments for seniors with nursing-care services, "Fuji Palace Senior" (Sakai City, Osaka prefecture)



(Source: Fuji Corporation)

Fuji Palace series, rental apartments for sale to individual investors

Property Leasing and Management(19.2% of Total Sales for the consolidated cumulative second quarter of the fiscal year ending March 2020)

The fully owned subsidiary Fuji Amenity Services Co., Ltd. provides rental apartment structure management, tenant solicitation, rent collection and other management services, in addition to consigned management of condominiums. Superior rental and management related services not only act as stable source of earnings, but also provide opportunities to achieve high synergy with contract construction of rental income properties, sales of rental apartments for sale to individual investors, and sales of condominiums.

1-2 Strengths of Fuji Corporation

Strength as a Complete Home Provider

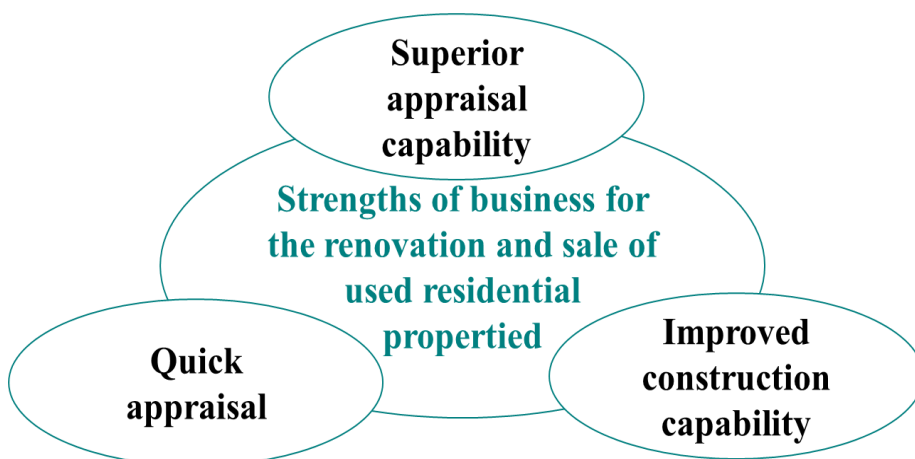
Knowhow in the realms of acquisition of land and building permits, design, construction and sales cultivated in the detached home services has allowed Fuji to develop a wide range of businesses including its used residential property sales, effective land utilization, rental apartment buildings for sale to individual investors, and property leasing and management, as well as to cultivate synergies between these businesses. Furthermore, its local community-based management has also contributed to cultivate synergies among these wide-ranging businesses and achieve high levels of customer satisfaction in its real estate and related services.



(Source: Fuji Corporation)

Capabilities of the Refurbished Used Residential Property Business

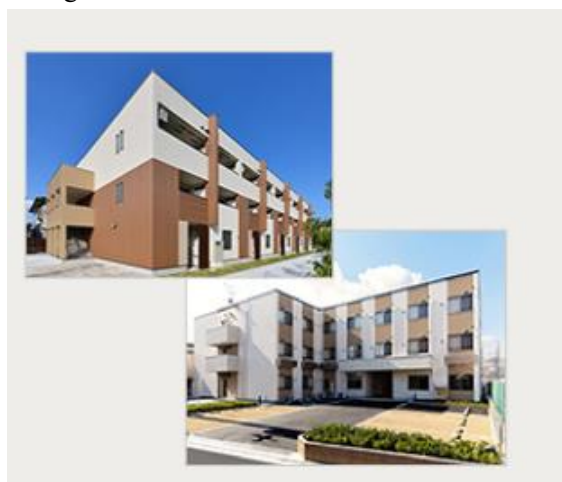
The “Kaizo-kun” refurbished used residential property business was born from the fusion of knowhow cultivated in the residential property agency sales and renovation businesses, which were launched along with the start of the Company. Fuji maintains a unique business model that enables them to conduct the three main functions of the residential property sales process including “acquisition,” “renovation,” and “sales” of used residential properties. The Company also boasts of the ability to create used residential properties that match the needs of customers because of its creation of manuals regarding how to renovate homes and information gathering of local markets based on its local community-based management style. In addition, a service called “Fuji Home Bank” has been created where coordination with judicial scriveners is conducted to purchase properties in cases of conclusion of inheritance registration. This service also offers the convenience of paying the inheritance registration fees from the fees derived from the sale of properties.



(Source: Fuji Corporation)

Ability to Increase Returns by Proposing Effective Land Utilization

Fuji not only provides the ability to propose effective land utilization, but also offers market surveys, planning, design, construction, and rental property management services to maximize its capability as a comprehensive real estate developer. Land purchases and sales, apartment and condominium reconstruction, legal and tax related services, and other various expert opinions and services are available as precise solutions to suit the needs of customers. As to its rental property management business, strict selection of land from the vast amount of real estate information is based upon meticulous market surveys conducted by its full-time marketing staff, and planning is carried out only when long-term and stable management is feasible. In addition, Fuji only purchases properties that boast of highly superior locations and other conditions to be turned into high yielding used real estate products. Moreover, Fuji proposes a bundled leasing system to property owners as a means of providing them with full “security, safety, and stability” in the rental property management service.



(Source: Fuji Corporation)

Business Portfolio Synergies

The real estate industry is hugely influenced by external factors such as the economic environment and changes in interest rates. To establish a business model that can withstand these conditions, Fuji Corporation has endeavored to build a business portfolio that can generate stable profits by providing diversified products and services. Looking at the sales composition during the last 5 years, residential properties for sales has previously accounted for more than 40% of total sales in the past. However, Fuji Corporation has been able to achieve a more balanced business portfolio as the three business segments, 1) residential properties for sales, 2) housing distribution, and 3) effective land utilization and property leasing and management businesses, now account for over 30%.

2. New mid-term profit plan (FY 3/2020 to FY 3/2022)

The company set new mid-term goals for the coming 3 years. In order to cope with various changes in the external environment, including the skyrocketing prices of land and construction, the shortage of carpenters, the consumption tax hike, and the hovering of selling prices, the company will actively implement measures for “increasing the number of condominiums supplied,” “concentrating on more profitable areas,” and “raising recurring revenue” and aim to earn a record-high profit in the fiscal year March 2022, which is the final fiscal year of the mid-term profit plan. The numerical goals for the fiscal year March 2022 are sales of 125 billion yen and an ordinary income of 6.8 billion yen.

Sales, ordinary income, net income, and ROE exceeded the goals of the previous mid-term plan, which was implemented for 4 years until the fiscal year March 2019, thanks to the expansion of the businesses of residential properties for sales, effective land utilization, and property leasing and management. It can be said that the company’s strong ambition for attaining the mid-term goals was confirmed through the 4 years.

Medium Term Business Plan Targets

	FY 3/19 Plan	FY 3/19Act	FY 3/20 Plan	FY 3/21 Plan	FY 3/22 Plan
Sales	102,000	115,710	107,000	121,000	125,000
Operating income	-	6,636	5,300	7,000	7,300
Ordinary Income	6,000	6,445	5,000	6,700	6,800
Net Income	3,900	4,298	3,300	4,500	4,600
ROE	Over 10%	11.9%	Over 10%	Over 10%	Over 10%

*Units: ¥mn

Medium Term Business Plan Profit Assumptions

Plans during Fiscal Year March 2020

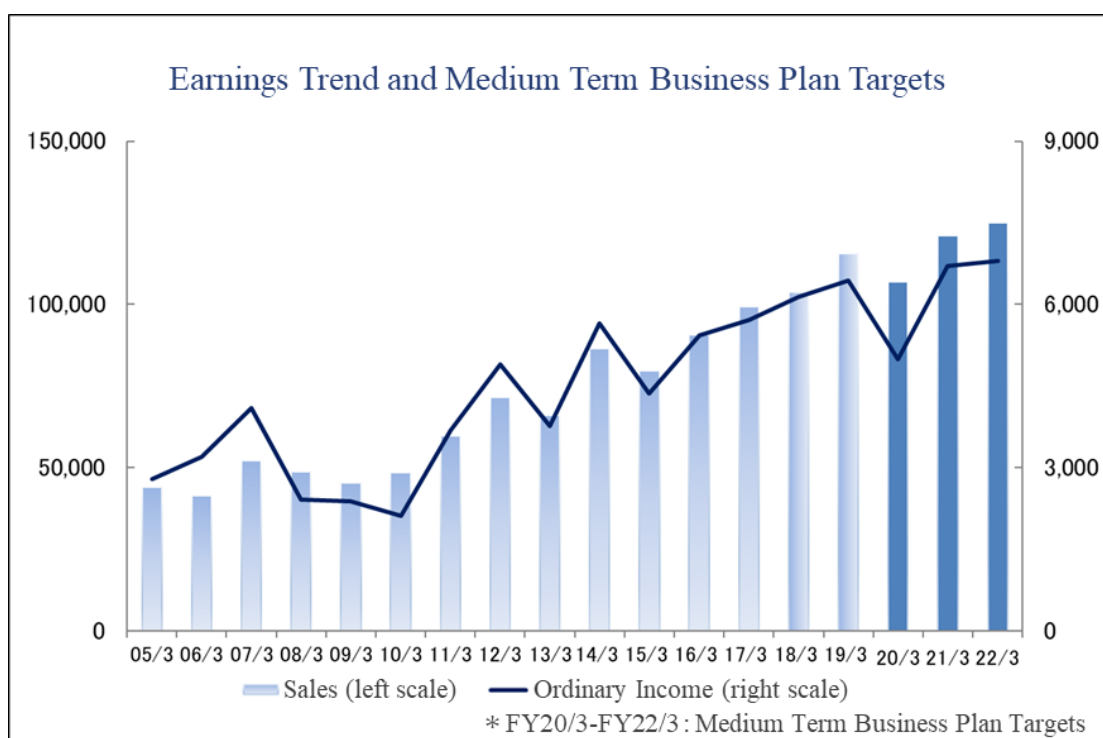
This term will be the year for adjustment, as it is the transitional period for supply of condominiums and the consumption tax will be raised. The performance is estimated to decline from the previous term, because this term is the transitional period for supply of condominiums and it will take time to overcome the shortage of carpenters. In this situation, the investment for relocating the marketing office in Osaka City will be first posted. In addition, the company will increase the sale of land for affordable rental apartments for seniors with nursing-care services to individual investors who do not own land. The property leasing and management business is expected to be healthy, as the company will handle more rental apartments for sale to individual investors and more affordable rental apartments for seniors with nursing-care services.

Plans during Fiscal Year March 2021

It is expected that more condominiums will be delivered and overall performance will recover to the level exceeding that in the fiscal year March 2019. The company plans to deliver two condominium buildings in Sakai City and Izumi City, and the sales of the residential properties for sales business are projected to the level of the fiscal year March 2019. In addition, the large-scale project for selling detached homes in Hokusetsu and Hanshinkan areas will be launched. As for the housing distribution business, the company will enhance the procurement of profitable houses in Osaka City, Hokusetsu and Hanshinkan areas. In addition, affordable rental apartments for seniors with nursing-care services ordered in the fiscal year March 2019 will be delivered mainly from the fiscal year March 2021. The property leasing and management business is expected to keep growing steadily, achieving sales of 20 billion yen.

Plans during Fiscal Year March 2022

It is expected that the sales and profit of rental apartments and condominiums for sale will grow significantly, both marking a record high. The company plans to deliver 3 condominium buildings in Osaka, Sakai, and Settsu Cities, and the sales from residential properties for sales are projected to hit a record high. The large-scale detached home project in Hokusetsu and Hanshinkan areas will enter the delivery phase. While the number of rental apartments delivered will rise considerably, the property leasing and management business is expected to see the number of the company's own affordable rental apartments for seniors with nursing-care services exceeding 50.



Medium Term Business Plan Targets for each Industry Segment

Segment Sales	FY 3/19 Act	FY 3/20 Mid-term	FY 3/21 Mid-term	FY 3/22 Mid-term
Residential Properties for Sales	40,562	30,540	42,900	44,300
Housing Distribution	33,094	32,100	30,500	31,000
Effective Land Utilization	23,847	24,400	26,000	25,700
Property Leasing and Management	17,849	19,400	21,600	24,000
Segment Profits	FY 3/19 Act	FY 3/20 Mid-term	FY 3/21 Mid-term	FY 3/22 Mid-term
Residential Properties for Sales	3,698	1,530	2,680	2,720
Housing Distribution	507	1,100	1,110	1,140
Effective Land Utilization	2,381	2,430	2,720	2,690
Property Leasing and Management	1,747	1,960	2,230	2,610

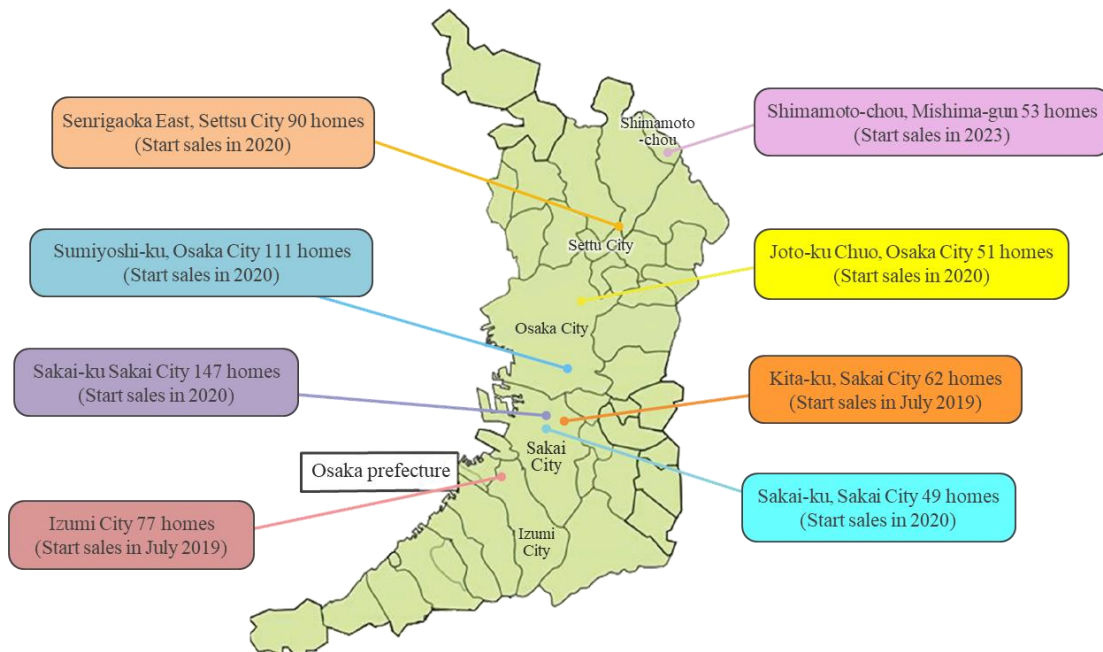
*Units: ¥mn

* Segment profits before adjustments

* Derived from Fuji Corporation's Medium-Term Business Plan announced on May 8, 2019.

Topics about the residential properties for sales business

【Upcoming major projects for selling condominiums】

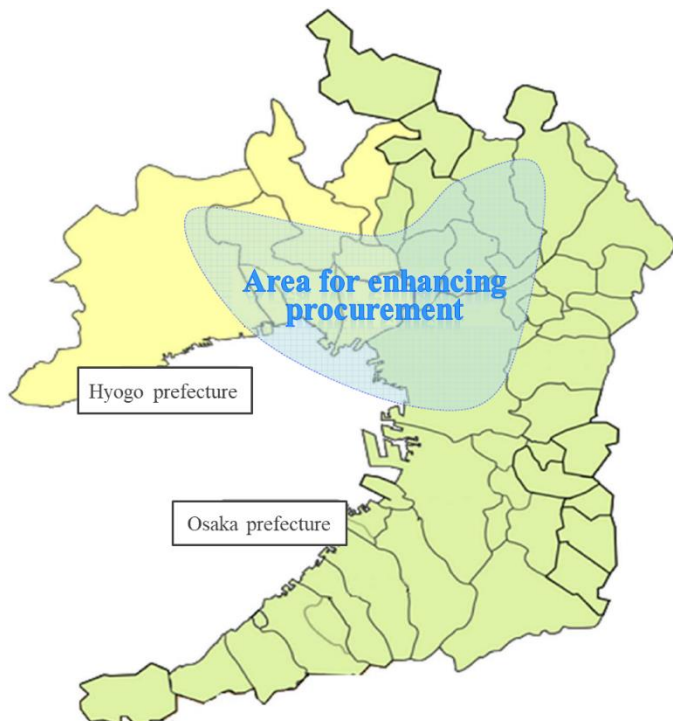


(From the mid-term profit plan of the company)

In the residential properties for sales business, the company plans to deliver 2 condominium buildings in Sakai and Izumi Cities in the fiscal year March 2021 and 3 condominium buildings in Osaka, Sakai, and Settsu Cities in the fiscal year March 2022.

Topics about the housing distribution business

【Area where used homes are distributed】

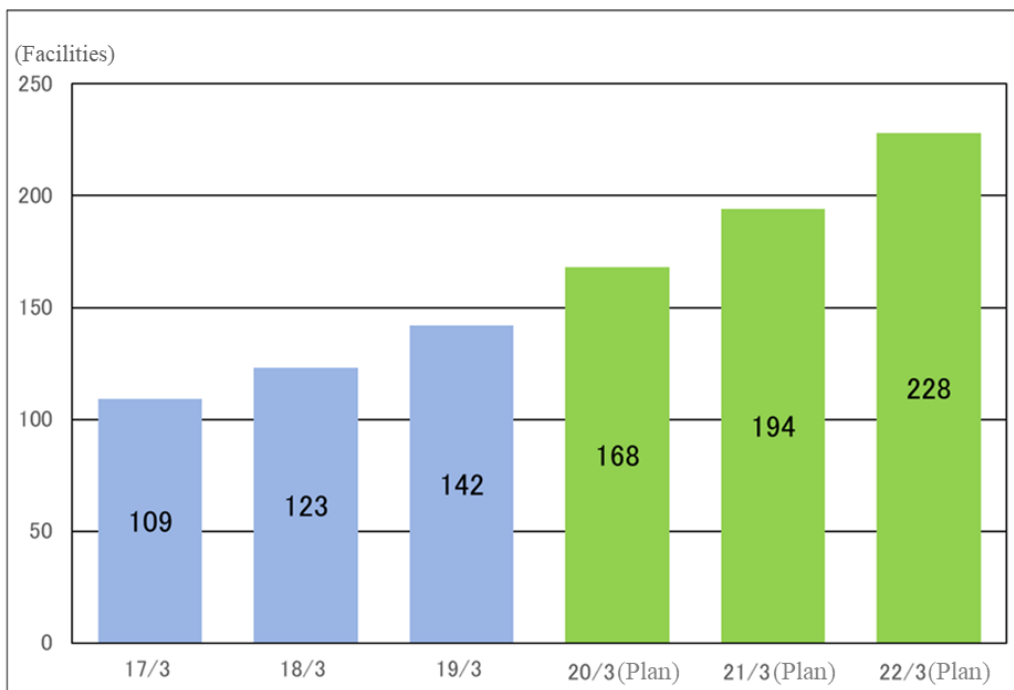


(From the mid-term profit plan of the company)

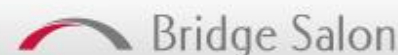
In the housing distribution business, the company plans to enhance procurement in Osaka City, Hanshinkan and Hokusetsu areas, to improve profit ratio.

Topics about the effective land utilization business

【Variation in the cumulative number of affordable rental apartments for seniors with nursing-care services】



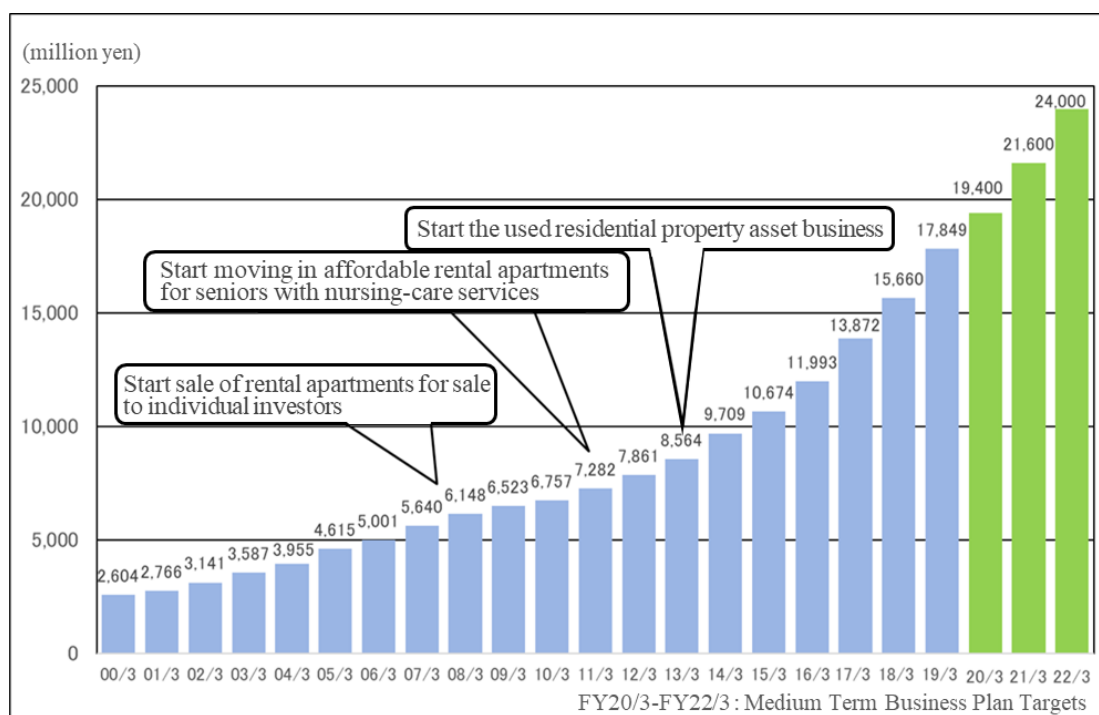
BRIDGE REPORT



In the effective land utilization business, the affordable rental apartments for seniors with nursing-care services ordered in the fiscal year March 2019 are estimated to be delivered mainly from the fiscal year March 2021.

Topic of Property Leasing and Management

【Transition of the recurring revenue】



Recurring revenue is expected to grow stably and sales are projected to reach 20 billion yen in the fiscal year March 2021.

3. First Half of Fiscal Year March 2020 Earnings Results

(1) Consolidated Earnings

	IH of FY 3/19	Share	IH of FY 3/20	Share	YoY	Initial Est	Divergence
Sales	53,437	100.0%	51,136	100.0%	-4.3%	51,000	+0.3%
Gross Income	8,684	16.3%	7,920	15.5%	-8.8%	-	-
SG&A	6,085	11.4%	5,772	11.3%	-5.1%	-	-
Operating Income	2,599	4.9%	2,148	4.2%	-17.3%	2,400	-10.5%
Ordinary Income	2,564	4.8%	1,999	3.9%	-22.0%	2,300	-13.1%
Parent Net Income	1,707	3.2%	1,287	2.5%	-24.6%	1,500	-14.2%

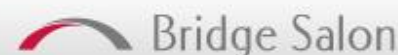
*Data in this table and other parts of this report include figures which have been calculated by Investment Bridge, and may differ from those of the Company

*Units: ¥mn

Sales and Ordinary Income Decreased 4.3% and 22.0% Year On Year, Respectively.

Sales of the first half of fiscal year March 2020 was 51,136 million yen, down 4.3% year on year. While sales increased in the housing distribution business, in which used residential properties increased, and the property leasing and management business, in which rent income increased, sales decreased in the residential properties for sales business, in which free-designed homes decreased, and the effective land utilization business, in which rental apartments for sale to individual investors decreased. The amount of order contracts, which reflects the actual sales conditions, decreased 0.5% year on year due to a decrease of orders for free-designed homes in the residential properties for sale business and orders for apartments for seniors with nursing-care services in the effective land utilization

BRIDGE REPORT



business, even though used residential properties drove the increase in order contracts.

Ordinary income decreased 22.0% year on year to 1,999 million yen. As for segment profit, it increased in the housing distribution business, in which the number of used residential properties delivered increased, and the property leasing and management business, in which sales increased. However, profit decreased in the residential properties for sales business, in which the number of delivered free-designed homes decreased, and the effective land utilization business, in which the delivery of rental apartments for sale to individual investors decreased in the second quarter, as most of the properties will be delivered in the fourth quarter.

Gross profit margin declined 0.8 points year on year due to a decrease in profit in the residential properties for sales business. The sales to SG&A ratio declined 0.1 points due to efforts to reduce costs including reduction in advertisement expenses. However, the sales to operating income ratio fell 0.7 points to 4.2%.

As a result, operating income decreased 17.3% year on year to 2,148 million yen. Furthermore, although a subsidy income of 86 million yen was recorded as non-operating income, the amount decreased from 128 million in the same period last year, and interest expenses in non-operating expenses increased 51 million yen. As a result, the rate of decrease in ordinary income exceeded the rate of decrease in operating income. There was no significant extraordinary gain or loss.

Compared to the company's estimates at the beginning of the fiscal year, sales in the current second quarter consolidated accounting period exceeded the expectation. On the other hand, profits fell below the estimates for the second quarter consolidated results because the delivery of free-designed homes and rental apartments for sale to individual investors was delayed to the second half and the difference in the profit margin was reflected, although the orders and sales of used residential properties exceeded the estimates. It is expected that delivery of free-designed homes and rental apartments for sale to individual investors will be concentrated in the fourth quarter of the current consolidated fiscal year, and it seems that sales and profits are generally steadily in line with full-year estimates.

(2) Segment Earnings

Segment Sales, Profits

	Sales	Share	YY Change	Segment Profits	Share	YY Change
Residential Properties for Sales	13,166	25.7%	-23.6%	457	15.9%	-63.8%
Housing Distribution	18,656	36.5%	+18.5%	465	16.1%	+172.5%
Effective Land Utilization	9,472	18.5%	-20.3%	828	28.7%	-28.6%
Property Leasing and Management	9,840	19.2%	+14.7%	1,131	39.2%	+37.1%
Adjustment	-	-	-	-735	-	-
Total	51,136	100.00%	-4.3%	2,148	100.00%	-17.3%

*Units: ¥mn

*The "Residential Properties for Sales" and the "Custom Housing Business" were integrated, and the previous five reporting segments are now four reporting segments. The segment information for the previous consolidated cumulative second quarter is the reporting segment classification after the change.

Sales in the residential properties for sales segment decreased 23.6% year on year to 13,166 million yen, and the segment profit declined 63.8% year on year to 457 million yen.

The decrease was mainly due to the decline in delivery of free-designed homes from 431 in the same period last year to 334.

The amount of order contracts came from 346 free-designed homes (416 in the same period last year), 86 condominiums for sale (23 in the same period last year), and land sales of 288 million yen (2,739 million yen in the same period last year). As a result, it decreased 12.4% year on year to 16,680 million yen.

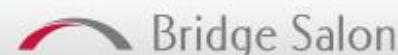
Sales in the housing distribution segment increased 18.5% year on year to 18,656 million yen, and the segment profit increased 172.5% year on year to 465 million yen.

The increase in the number of used residential properties delivered which increased from 705 in the same period last year to 830 contributed to the increase in both sales and profit.

The volume of orders for used residential properties increased to 832 units (719 units in the same period last year), and the value of orders in the housing distribution segment increased 15.3% year on year to 18,485 million yen.

Sales of the effective utilization of land segment was 9,472 million yen, down 20.3% year on year, and the segment profit was 828 million yen, down 28.6% year on year.

BRIDGE REPORT



The decline in the number of delivered rental apartments for sale to individual investors affected the decreases in sales and profits. The number of delivered rental apartments for sale to individual investors was small in the second quarter, as they are expected to be sold mostly in the fourth quarter.

The amount of order contracts was 11,981 million yen, down 2.7% year on year. Order contracts include a decrease in rental housing construction contracts by 14.8% year on year, a decrease in rental apartments for seniors with nursing-care service by 25.4% year on year, and an increase in rental apartments for sale to individual investors by 9.3% year on year. The performance was also affected by the last-minute demand before consumption tax hike in the fourth quarter of the previous fiscal year (*).

*In the case of order contracts, the consumption tax rate (8%) before the tax hike is applied to contracts up to March 31, 2019, even if the properties are delivered after October 1, 2019.

In addition to the above, sales of the property leasing and management segment were 9,840 million yen, up 14.7% year on year, and the segment profit was 1,131 million yen, up 37.1% year on year. The increase in the number of managed properties in association with the delivery of rental properties and condominiums for sale linked to the effective utilization of land business as well as the increase in used rental properties in used residential property asset business contributed to the increase in sales and profits.

Segment Sales

	1H FY 3/19		1H FY 3/20			
	Volume	Value	Volume	Value	Share	YY Change
Free-design Homes	431	16,345	334	12,458	24.4%	-23.8%
Condominiums for Sale	11	356	10	380	0.7%	+6.8%
Land Sales	2,245 m ²	528	2,481 m ²	327	0.6%	-37.9%
Residential Properties for Sales	-	17,230	-	13,166	25.7%	-23.6%
Used Residential Properties	705	15,632	830	18,654	36.5%	+19.3%
Spec New Homes	5	116	-	-	0.0%	-100.0%
Others	-	0	-	2	0.0%	+510.4%
Housing Distribution	710	15,749	830	18,656	36.5%	+18.5%
Contract Construction of Rental Properties	18	1,307	12	1,350	2.6%	+3.3%
Affordable Rental Apartments for Seniors with Nursing-care Services	6	1,377	10	2,946	5.8%	+113.9%
Rental Apartments for Sale to Individual Investors	74	9,194	42	5,175	10.1%	-43.7%
Effective Land Utilization	-	11,879	-	9,472	18.5%	-20.3%
Rental Income	-	6,532	-	7,440	14.5%	+13.9%
Income from Affordable Rental Apartments for Seniors with Nursing-care Services	-	1,623	-	1,927	3.8%	+18.7%
Management Fee Income	-	422	-	471	0.9%	+11.8%
Property Leasing and Management	-	8,578	-	9,840	19.2%	+14.7%
Total	-	53,437	-	51,136	100.0%	-4.3%

*Units: ¥mn

*The "Residential Properties for Sales" and the "Custom Housing Business" were integrated, and the previous five reporting segments are now four reporting segments. The segment information for the previous consolidated cumulative second quarter is the reporting segment classification after the change.

BRIDGE REPORT



Segment Order Contracts

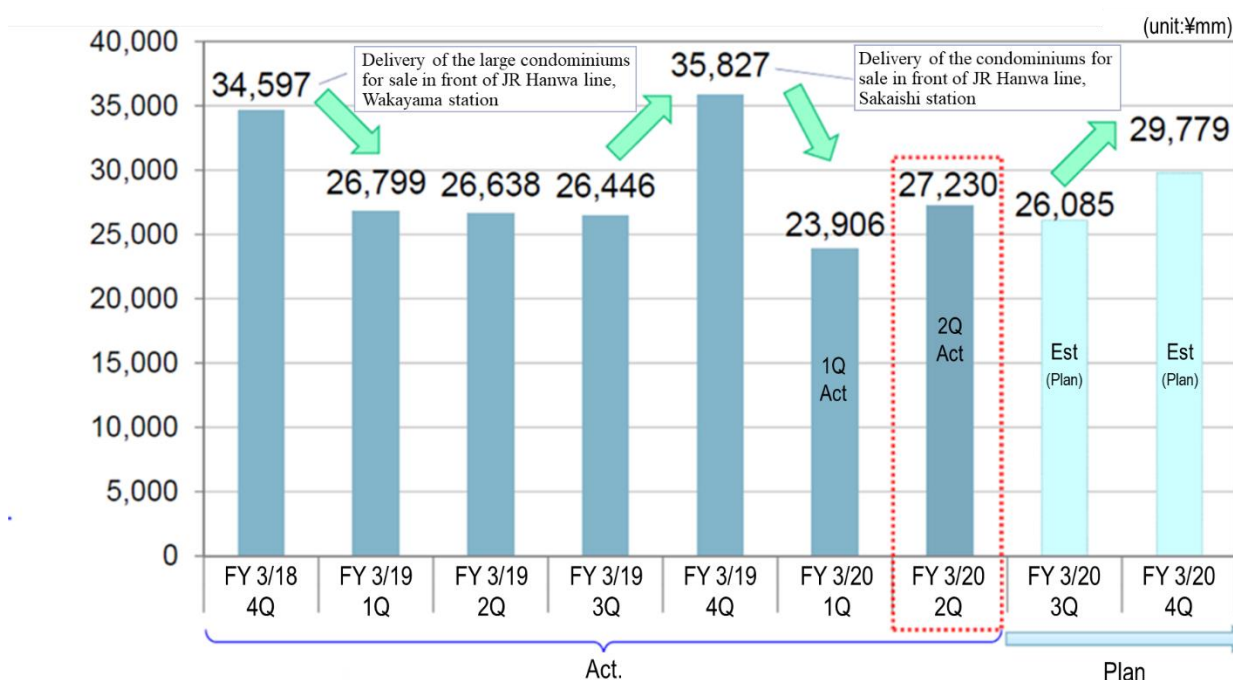
	1H FY 3/19		1H FY 3/20		YY Change
	Volume	Value	Volume	Value	
Free-design Homes	416	15,501	346	13,435	-13.3%
Condominiums for Sale	23	797	86	2,956	+270.7%
Land Sales	16,866 m ²	2,739	2,443 m ²	288	-89.5%
Residential Properties for Sales	-	19,038	-	16,680	-12.4%
Used Residential Properties	719	15,986	832	18,483	+15.6%
Spec New Homes	2	45	-	-	-100.0%
Others	-	0	-	2	+510.4%
Housing Distribution	721	16,031	832 戸	18,485	+15.3%
Contract Construction of Rental Properties	16	1,633	12	1,392	-14.8%
Affordable Rental Apartments for Seniors with Nursing-care Services	12	3,133	8	2,337	-25.4%
Rental Apartments for Sale to Individual Investors	62	7,546	61	8,250	+9.3%
Effective Land Utilization	-	12,313	-	11,981	-2.7%
Total	-	47,384	-	47,147	-0.5%

*Units: ¥mn

*The “Residential Properties for Sales” and the “Custom Housing Business” were integrated, and the previous five reporting segments are now four reporting segments. The segment information for the previous consolidated cumulative second quarter is the reporting segment classification after the change.

(3) Quarterly Earnings Trends

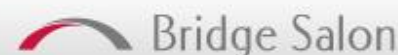
Variation in Quarterly Consolidated Sales Estimates



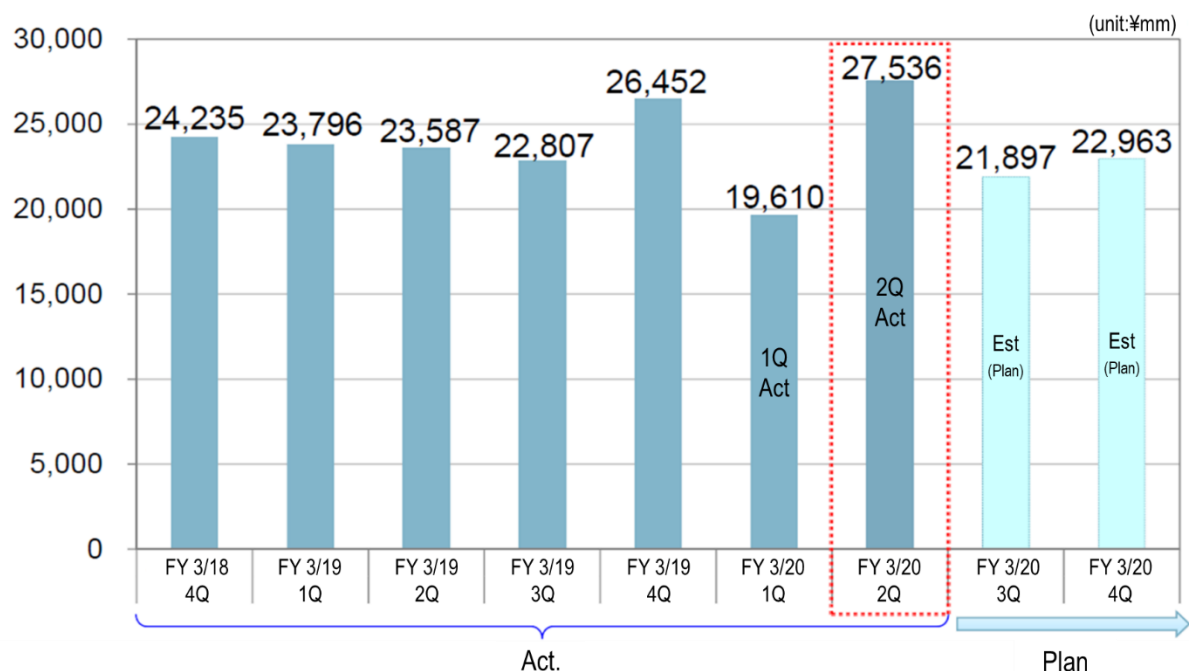
(taken from the supplemental material for the company's earnings summary)

Consolidated sales for the second quarter were 27,230 million yen, exceeding the initial estimates. The main factors for this good performance were the increase of delivered used residential properties due to the last-minute demand before the consumption tax hike and the increase of managed properties in the property leasing and management segment. In the current fiscal year, most of the delivery of free-designed homes and rental apartments for sale to individual investors is expected to happen in the fourth quarter.

BRIDGE REPORT



Variations in Quarterly Amount of Order Contracts and Estimates



(taken from the supplemental material for the company's earnings summary)

The amount of order contracts for the second quarter was 27,536 million yen, a record high for the quarterly accounting period. The major contributing factors were strong orders for condominiums for sale in Kanaoka-cho, Kita ward, Sakai city, and condominiums in the vicinity of Izumifuchu station on the JR Hanwa line as well as strong orders in the used residential properties for resales business.

(4) Financial Conditions and Cash Flow (CF)

	March 2019	September 2019		March 2019	September 2019
Cash, Equivalents	12,041	13,602	Payables	4,642	3,394
Inventories	93,370	105,585	ST Interest Bearing Liabilities	24,107	31,508
Current Assets	107,998	121,596	Unpaid Taxes	1,398	722
Tangible Noncurrent Assets	35,963	37,537	Prepayments	3,572	3,957
Intangible Noncurrent Assets	359	357	LT Interest Bearing Liabilities	70,558	78,985
Investments, Others	3,144	3,186	Liabilities	109,708	123,998
Noncurrent Assets	39,466	41,081	Net Assets	37,756	38,679
Total Assets	147,465	162,678	Total Interest-Bearing Liabilities	94,665	110,494

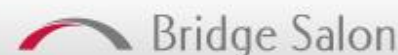
*Units: ¥mn

* Inventories = Real estate for sale + Real estate for sale in progress + Real estate for development + Payments for uncompleted construction + Inventories

* Interest bearing liabilities = Loans + Lease liabilities + Debenture

Total assets at the end of September 2019 were 162.678 billion yen, up 15.212 billion yen from the end of the previous year. On the asset side, the main factor for the growth was the increase in inventories centering on real estate for sale in progress, while on the liabilities and net assets side, short-term and long-term interest-bearing debt are the main factors for the increase. The breakdown of inventories and the amount are 29.08 billion yen for real estate for sale (28.22 billion yen at the end of the previous fiscal year), 18.13 billion yen for real estate in progress for sale (10.32 billion yen for the previous fiscal year), and 58.17 billion yen for real estate for development (54.68 billion yen at the end of the previous fiscal year). Interest bearing liabilities increased 15.828 billion yen. The equity ratio was 23.7%, down 1.9 points from the end of the previous fiscal year.

BRIDGE REPORT



Cash Flow

	IH of FY 3/19	IH of FY 3/20	YY Change	
Operating Cash Flow (A)	3,391	-10,727	-14,118	-
Investing Cash Flow (B)	-3,945	-3,082	862	-
Free Cash Flow (A + B)	-554	-13,809	-13,255	-
Financing Cash Flow	7,219	15,370	8,151	+112.9%
Cash and Equivalents at Term End	17,151	13,602	-3,549	-20.7%

*Units: ¥mn

With regard to cash flow, increases in inventories and other factors allowed Operating CF to turn to a net outflow. Decreases in the purchase of property, plant and equipment and other factors caused the net outflow of Investing CF to decrease, but the margin of outflow of Free CF expanded. Meanwhile, an increase in the margin of increase in long term debt caused the margin of inflow of Financing CF to expand. The term-end balance of cash and equivalents declined by 20.7% year on year.

4. Fiscal Year March 2020 Earnings Estimates

(1) Consolidated Earnings

	FY 3/19 Act.	Share	FY 3/20 Est.	Share	YY Change
Sales	115,710	100.0%	107,000	100.0%	-7.5%
Operating Income	6,636	5.7%	5,300	5.0%	-20.1%
Ordinary Income	6,445	5.6%	5,000	4.7%	-22.4%
Parent Net Income	4,298	3.7%	3,300	3.1%	-23.2%

*Units: ¥mn

Sales and Ordinary Income are Estimated to Decline 7.5% and 22.4%, Respectively, Year on Year.

There is no revision to the estimates for the fiscal year March 2020 after the second quarter. The company forecasts that sales will decrease 7.5% year on year to 107 billion yen and ordinary income will drop 22.4% year on year to 5 billion yen, considering that the supply of condominiums will enter the transitional phase and there will be negative factors, such as the rise in land price, the skyrocketing of construction prices, and the consumption tax hike.

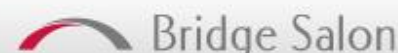
As for sales, the company will sell land for affordable rental apartments for seniors with nursing-care services to individual investors who do not own land, increasing sales in the effective land utilization segment, and grow its recurring-revenue business, increasing sales in the segment of property leasing and management stably. While the supply of free-designed homes will not grow due to a shortage of workers, the sales in the residential properties for sale business segment will drastically decline as the supply of condominiums for sale will enter the off-season. Furthermore, the sales in the housing distribution business segment will also slightly decrease as the sales prices of used residential properties are conservatively estimated.

As for profit, it is forecasted that profit will rise in the segment of housing distribution, due to the increase of procurement of used houses in highly profitable areas, and the segments of effective land utilization and property leasing and management, due to sales growth, while the segment of residential properties for sales will see a considerable drop in profit, due to the significant decline in sales. In addition, it is estimated that advertisement cost will augment for the sale of condominiums and the company will incur expenses for relocating a marketing base in Osaka City.

Operating income ratio is estimated to be 5.0%, down 0.7 points year on year.

The annual dividend amount is estimated to be 27 yen/share (an interim dividend of 14 yen/share and a term-end dividend of 13 yen/share), unchanged from the previous term.

BRIDGE REPORT



Full Year Consolidated Sales Estimates by Business Segment

	FY 3/20 Est.		
	Volume	Value	Share
Free-design Homes	817 units	30,560	28.6%
Condominiums for Sale	20 units	540	0.5%
Residential Properties for Sales	837 units	31,100	29.1%
Used Residential Properties	1,589 units	32,100	30.0%
Housing Distribution	1,589 units	32,100	30.0%
Contract Construction of Rental Properties	38 orders	4,460	4.2%
Affordable Rental Apartments for Seniors with Nursing-care Services	19 orders	5,140	4.8%
Rental Apartments for Sale to Individual Investors	115 buildings	14,800	13.8%
Effective Land Utilization	-	24,400	22.8%
Rental Income	-	14,300	13.4%
Income from Affordable Rental Apartments for Seniors with Nursing-care Services	-	3,880	3.6%
Management Fee Income	-	1,220	1.1%
Property Leasing and Management	-	19,400	18.1%
Consolidated Sales	2,426 units 57 orders 115 buildings	107,000	100.0%

*Units: ¥mn

*The “Residential Properties for Sales” and the “Custom Housing Business” were integrated, and the previous five reporting segments are now four reporting segments. The segment information for the previous consolidated cumulative second quarter is the reporting segment classification after the change.

Segment Sales	FY 3/19 Act.	FY 3/20 Est.
Residential Properties for Sales	40,562	30,540
Housing Distribution	33,094	32,100
Effective Land Utilization	23,847	24,400
Property Leasing and Management	17,849	19,400
Segment Profit	FY 3/19 Act.	FY 3/20 Est.
Residential Properties for Sales	3,698	1,530
Housing Distribution	507	1,100
Effective Land Utilization	2,381	2,430
Property Leasing and Management	1,747	1,960

* Company forecasts are derived from Fuji Corporation’s Medium-Term Business Plan announced on May 8, 2019, excluding the former custom housing segment.

* Segment profits before adjustments

*Units: ¥mn

(2) Performance during quarter consolidated fiscal period and future plan

	Act.		Plan		Initial Estimate
	1Q	2Q	3Q	4Q	Total
Sales	23,906	27,230	26,085	29,779	107,000
Ordinary Income	947	1,051	1,054	1,948	5,000
Parent Net Income	627	660	766	1,247	3,300

*Units: ¥mn

In the current fiscal year, since most of the delivery of free-designed homes and rental apartments for sale to individual investors will happen in the fourth quarter, the estimates for sales and profit at each stage are high in the fourth quarter.

Results of the second quarter of the consolidated fiscal year ending March 2020 and progress towards full-year estimates

The consolidated sales for the second quarter of the consolidated fiscal year ending March 2020 were 51,136 million yen. By adding the estimated sales of 34,190 million yen during the current term out of the order contracts received by the end of September 2019 (53,453 million yen), 85,326 million yen (79.8% of the full-year target) will be most certainly recorded as the sales of the fiscal year ending March 2020. With the addition of 9,559 million yen expected to almost certainly gain from the sales of the leasing and management segments after October, total net sales will be 88.7% of the full-year target. The differences with the full-year target is 12,113 million yen (8.9% of the full-year target). It will be gained from the sales of used residential properties and condominiums for sales to be recorded in the current fiscal year out of orders received after October. Fuji is making steady progress toward achieving the estimated figures.

(3) Main Topics**Fuji Corporation Acquires Highest Rating in the Development Bank of Japan's "DBJ Health Management Certification".**

The "DBJ Employees' Health Management Rated Loan Program" is based on DBJ's proprietary screening system, in which DBJ evaluates and selects companies on the quality of their care for employees' health and their working conditions, and offers financing conditions based on the results. This is the world's first financing menu to incorporate health management ratings. Fuji acquired the highest ranking of the "DBJ Employees' Health Management Rated Loan Program" for the third time, in two consecutive years. It has a corporate culture that values employees and their families. The top management is leading the way to enable all employees to take various measures to increase their awareness on health and maintain mental and physical health with flexible and unconventional systems.

The following 3 points were recognized by DBJ.

1. Based on "Fuji Housing Group Health Declaration" in line with the management philosophy, the company established mid-term goals on health management and is steadily implementing various initiatives that contribute to health maintenance and promotion, with a focus on lifestyle-related diseases. It is also continuously working on improving health literacy through efforts such as health guidance and distribution of health-related books.
2. From this fiscal year, Fuji began to have regular discussions on measures on mental health with external experts. It is also expanding measures that place emphasis on preventive aspects such as establishment of a specialized consultation desk and revisions of internal training.
3. Through various unique initiatives such as the management philosophy study group, Fuji is making efforts not only to penetrate the significance of health management initiatives within the company, but also to proactively disseminate information through web-sites and lectures to promote the penetration and spread of health management to local communities.

Participation in “Telework Days 2019”

Fuji participated in “Telework Days 2019” held from July 22 to September 6, 2019, sponsored by the Ministry of Internal Affairs and Communications, the Ministry of Health, Labor and Welfare, the Ministry of Economy, Trade and Industry, the Ministry of Land, Infrastructure, Transport and Tourism, the Cabinet Secretariat, and the Cabinet Office. “Telework Days 2019” is implemented as part of the “Workstyle Reform” promoted by the government. In 2019, it was set from July 22 to September 22, during which a flexible way of working outside workplaces regardless of location and time (namely, telework) was recommended. “Telework Days 2018” held last year was a large national movement with 300,000 participants. Fuji believes that it is important to consider health management including the balance of life and work of employees from a management perspective, so that its employees can live a fulfilling life both at work and outside work in a flexible working environment. It is creating a work environment with a policy that a happy work environment can improve business performance and corporate value. Based on this policy, it decided to participate in “Telework Days” to help create society where people can have fulfilling work and life.

5. Conclusions

The value of orders for the second quarter was 27,536 million yen, which was a new record high for the quarterly accounting period. This was mainly due to strong orders for condominiums for sale in Kanaoka-cho, Kita ward, Sakai city and condominiums in front of Izumi-Fuchu Station on the JR Hanwa Line as well as strong orders in the used residential properties resale business. Above all, the fact that orders for used residential properties are doing well is a positive material for achieving Fuji’s estimates for the current term. It is presumed that the effect of strengthening the purchase of highly profitable houses in Osaka City, Hokusetsu and Hanshinkan areas is already appearing. Although many of the orders that Fuji received in the second half will be recorded in the next fiscal year or later, some orders of used residential properties will be recorded in the current fiscal year. We would like to focus on the trend in orders for used residential properties in the following third quarter (October-December) to see to what extent the orders can be accumulated to achieve Fuji’s earnings estimates for the current term. Furthermore, during the current fiscal year, sales are temporarily sluggish, however, in the next fiscal year, sales and profits at each stage are expected to recover to record highs thanks to delivery of condominiums, the launch of large-scale detached housing projects, and the delivery of apartments for seniors with nursing-care services. We would like to pay attention to the status of sales of two condominiums scheduled to be sold this fiscal year, which will serve as a barometer for the recovery of business results for the next fiscal year, the status of preparation of lands for large and attractive residential properties for sale, the status of orders for rental apartments for sale to individual investors, and the expansion of Fuji’s own properties such as apartments for seniors with nursing-care services.

<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory board
Directors	7 directors, including 2 external ones
Auditors	3 auditors, including 2 external ones

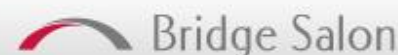
◎Corporate Governance Report

The company submitted its latest corporate governance report on December 10, 2019.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principles	Reasons for not implementing the principles
【Supplementary principle 1-2-4. Electronic exercise of voting rights and translation of notices of convocation of shareholders’ meetings into English】	Our company adopted the electronic voting platform. Because the proportion of overseas investors in our company is small, we currently consider that it is not necessary to translate notices of convocation of shareholders’ meetings into English; however, when the ratio of overseas investors exceeds 20% of all

BRIDGE REPORT

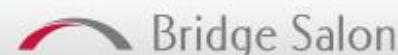


	<p>investors, we will consider providing the English version of notices of convocation.</p> <p>For IR activities, we offer some reports and the bare minimum of pages of our website in English.</p>
【Principle 1-4. Strategically held shares】	<p>Cooperative relationships with financial institutions are vital for business expansion and sustainable development of real estate agents.</p> <p>Aiming at the medium- to long-term goal of enhancing our corporate value, we will hold shares when we regard such shareholding as necessary for strategic purposes after comprehensively taking account of relationships with financial institutions and the like.</p> <p>As for the exercise of voting rights, our company does not have concrete standards.</p> <p>From the perspectives of medium- to long-term enhancement of the corporate value, corporate governance, and social responsibility, we will consider and determine for each case whether or not we should exercise our voting rights.</p>
【Principle 2-6. Exertion of functions as an asset owner of corporate pensions】	<p>There is no corporate pension system. Considering the fact that the needs for payment for ongoing contribution are growing as the concept of lifetime employment is weakening, we tack retirement benefits on current salaries, with the aim of securing excellent personnel.</p>
【Supplementary Principle 4-10-1. Utilization of arbitrary systems】	<p>Our company has the board of auditors. Independent outside directors do not hold a majority in the board of directors, but we appointed two outside directors and two outside auditors, who appropriately engage in and give advice about the appointment of directors and the determination of their remunerations by utilizing plenty of experience and profound knowledge as a certified public accountant or a lawyer. Therefore, we think that an arbitrary advisory body is unnecessary as of now, but will plan to establish it if necessary.</p>

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
【Supplementary Principle 4-11-3. Overview of the results of analysis and evaluation of the effectiveness of the board of directors】	<p>Every year, the effectiveness of the board of directors is evaluated with an anonymous questionnaire, and its results are reported to the board of directors.</p> <p>The results of analysis and evaluation of the effectiveness of the board of directors are as follows:</p> <ul style="list-style-type: none"> • The frequency of a meeting of the board of directors and the attendance situation of directors are healthy, and reference material, etc. are distributed in advance so that each bill will be deliberated appropriately. • From now on, in order to have more profound discussions at a meeting of the board of directors, we will make some improvement measures, such as a system in which each executive submits questions about bills and reports in advance and these questions are answered at a meeting of the board of

BRIDGE REPORT



	directors.
【 Principle 5-1. Policy on constructive dialogue with shareholders】	<p>The IR Office, which is managed by the director responsible for IR activities, is in charge of communication with shareholders.</p> <p>The IR Office constantly cooperates with the Corporate Planning Department, the General Affairs Department, the Legal Department, the Finance Department, and the Internal Audit Office, establishing a system where necessary information is conveyed to the IR Office.</p> <p>The IR Office is engaged in activities to allow shareholders and investors to broaden their understanding about our management philosophy and policy by holding company information sessions for individual investors and those for analysts and institutional investors in Osaka and Tokyo, as well as through financial results briefings, information disclosure on our website, and simplification of News for Shareholders so that it can be easily understood not only by analysts and institutional investors but also by individual investors.</p> <p>Our company feeds back to the directors and the board of directors every opinion and concern obtained through communication with our shareholders.</p>

<Other>

In Basic Views regarding corporate governance, the company states that **“it is crucial for the improvement of our business performance that the president himself demonstrates the management philosophy, business purposes, and code of conduct and the directors with excellent “capabilities,” “enthusiasm,” and “attitude” and great willingness to contribute to our company work in a complete solidarity toward the same aim in order to increase the shareholder investment value.”**

This report is intended solely for information purposes, and is not intended as a solicitation for investment. The information and opinions contained within this report are made by our company based on data made publicly available, and the information within this report comes from sources that we judge to be reliable. However, we cannot wholly guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

Copyright(C) 2019 Investment Bridge Co., Ltd. All Rights Reserved.

The back number of Bridge Report (Fuji Corporation: 8860) and the contents of Bridge Salon (IR Seminar) can be viewed here: www.bridge-salon.jp/