

 President Nobutsuna Miyawaki	Fuji Corporation Ltd. (8860)
	

## 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	<a href="https://www.fuji-jutaku.co.jp/english/">https://www.fuji-jutaku.co.jp/english/</a>

## Stock Information

Share Price	Share Outstanding		Market Cap.	ROE (Act.)	Trading Unit
¥533	35,409,382 shares		¥18,873 million	11.9%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
-	-%	-	-x	¥1,126.40	0.47x

\*The share price is the closing price on June 26 2020. The number of shares issued at the end of the most recent quarter excludes its treasury shares.

\*The forecasts of DPS and EPS for FY 3/21 is undecided. ROE and BPS are based on FY 3/20 earnings results. Figures are rounded to the nearest decimal point.

## Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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	110,444	5,002	4,611	3,038	87.40	27.00
March 2021 Est.	-	-	-	-	-	-

\*Forecasts are those of the company.

\*The company has not determined the forecast at the beginning of the fiscal year ending March 2021, because it is difficult to reasonably calculate the impact of the global spread of the novel coronavirus on the domestic economy and the company's business performance.

\*Units: million yen, yen

This Bridge Report provides information about the Fiscal Year ended March 2020 earnings results of Fuji Corporation Ltd.

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## Key Points

- For fiscal year March 2020, sales and ordinary income decreased 4.6% and 28.4%, 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 2.2% 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. The order contract balance, which is a leading indicator of sales, increased 8.6% year on year.
- The company's plan for the fiscal year ending March 2021 is still to be determined. This is because it is difficult to reasonably calculate the impact of the coronavirus pandemic on ordering activities reflecting the deterioration of the business environment at the moment when no one knows when the pandemic will end. The company intends to promptly announce the forecast, once it becomes possible to calculate it. The dividend forecast for the fiscal year ending March 2021 is still to be determined. It will be announced promptly once the calculation becomes possible.
- In the medium-term profit plan, it is initially expected that, in the fiscal year ending March 2021, the delivery of condominiums will increase and the large-scale project for selling detached homes will be launched, and the company has the prospect of overall business performance recovering to a level exceeding the fiscal year ended March 2019. In the strong headwind of the novel coronavirus pandemic, we would like to pay attention to whether the company's portfolio management will show its true value, and to what extent it can achieve its medium-term profit plan through its own responsive capability and management efforts.

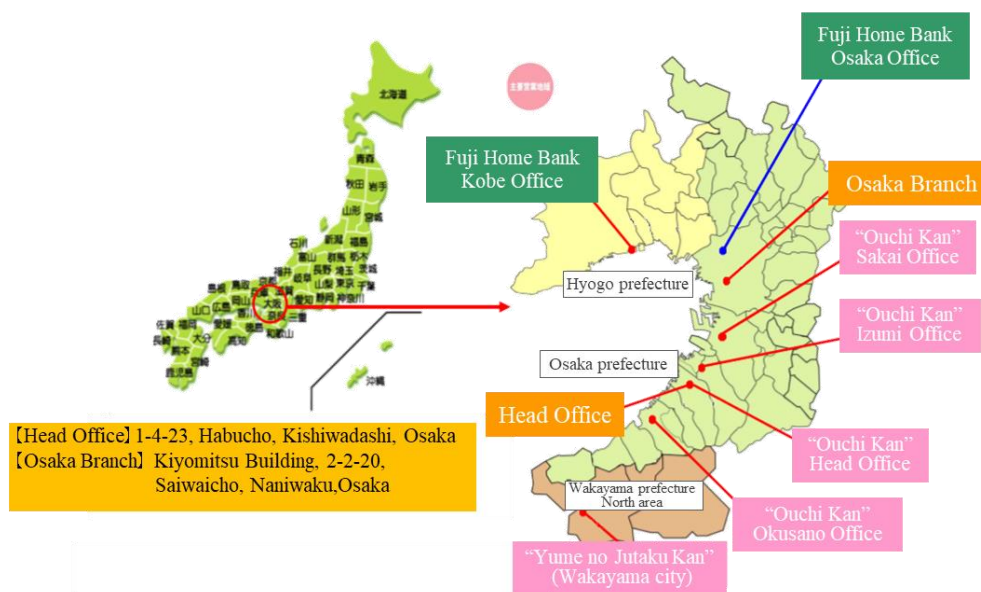
## 1. Company Overview

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 (26.2% of Total Sales for the consolidated cumulative the fiscal year ended 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 (34.6% of Total Sales for the consolidated cumulative the fiscal year ended 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 (21.1% of Total Sales for the consolidated cumulative the fiscal year ended 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 (18.1% of Total Sales for the consolidated cumulative the fiscal year ended 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**

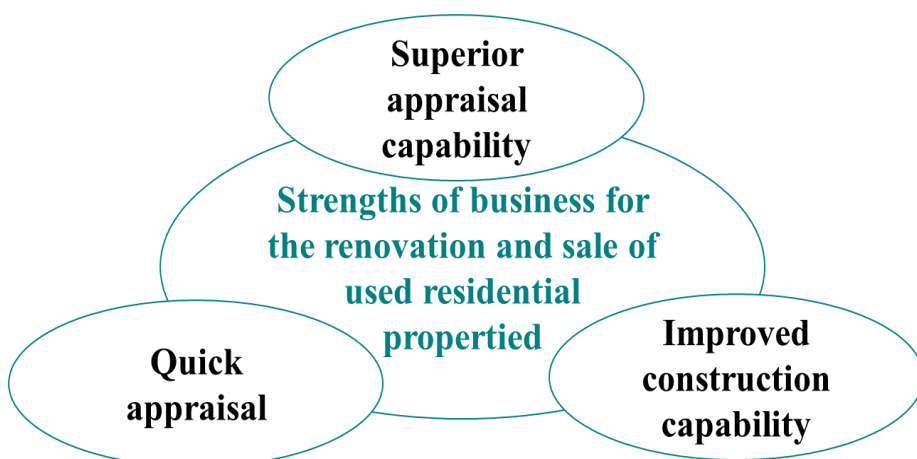
Knowhow in the realms of acquisition of land and building permits, design, construction and sales cultivated in the detached home services has allowed Fuji to develop a wide range of businesses including its used residential property sales, effective land utilization, rental apartment buildings for sale 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.

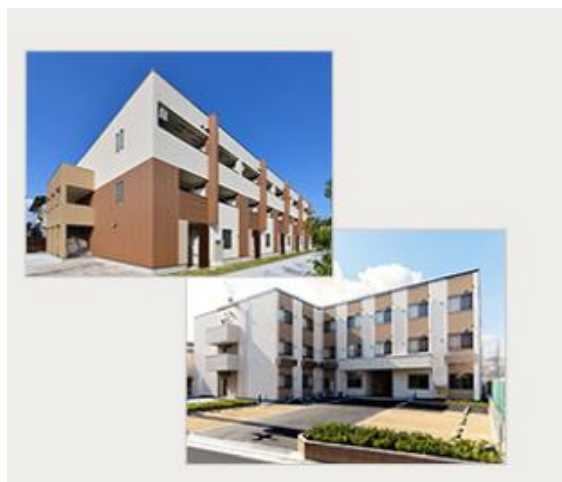


(Source: Fuji Corporation)

**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 Act	FY 3/21 Plan	FY 3/22 Plan
Sales	102,000	115,710	110,444	121,000	125,000
Operating income	-	6,636	5,002	7,000	7,300
Ordinary Income	6,000	6,445	4,611	6,700	6,800
Net Income	3,900	4,298	3,088	4,500	4,600
ROE	Over 10%	11.9%	8.0%	Over10%	Over10%

\*Units: ¥mn

## Medium Term Business Plan Profit Assumptions

### Results during Fiscal Year March 2020

Initially, the medium-term profit plan had the following prospects. 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.

Sales were higher than the estimated forecast at the beginning of the term, but operating income and ordinary income were lower than anticipated. This is because non-deductible consumption tax on land, etc. increased due to progress in land reclamation work for the sites of large-scale projects to be launched in the next term and the fund procurement costs increased due to accumulation of cash and deposits at the end of the current consolidated fiscal year.

### Plans during Fiscal Year March 2021

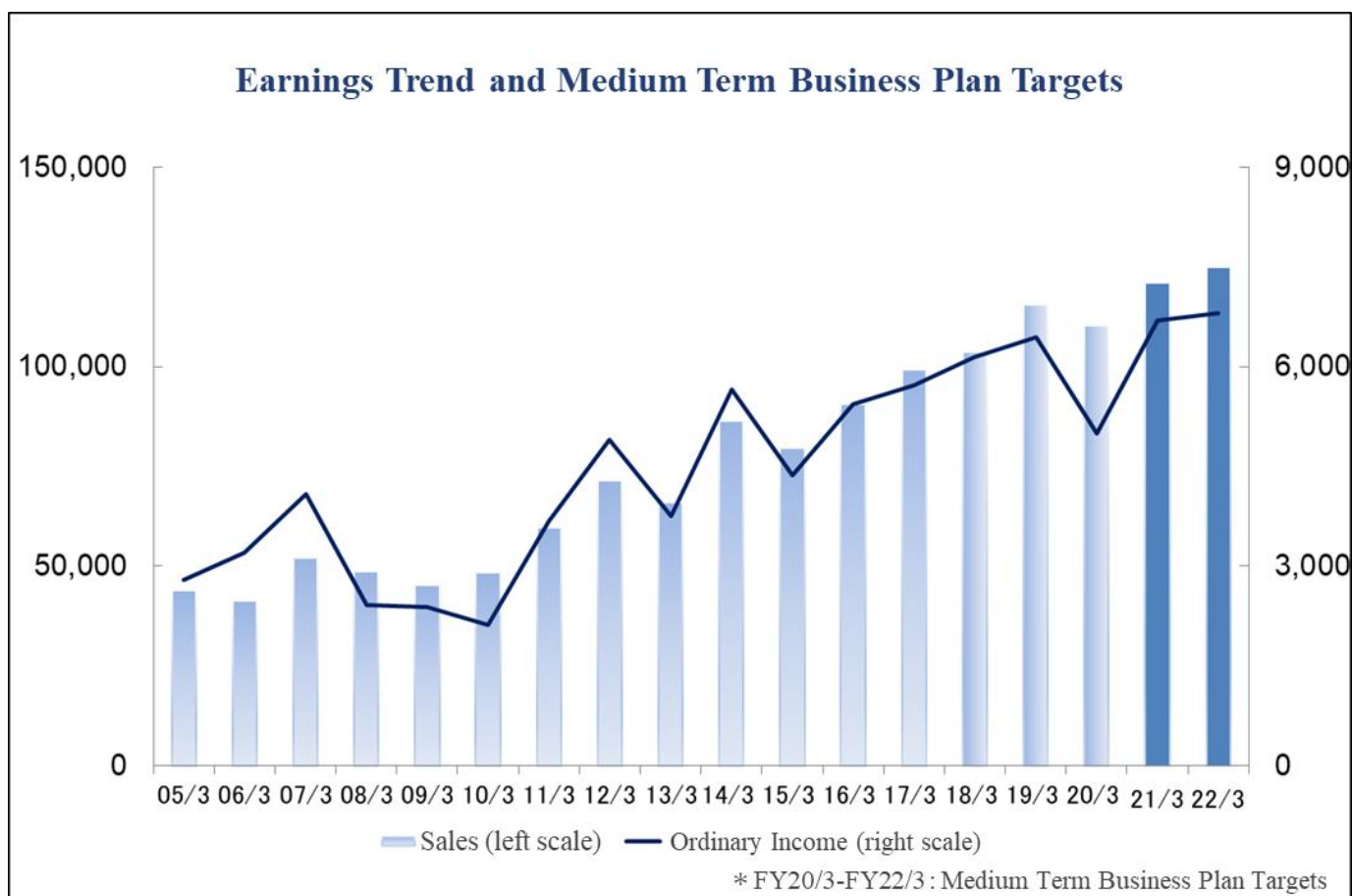
It is expected that more condominiums will be delivered and overall performance will recover to the level exceeding that in the fiscal year March 2019. The company plans to deliver two condominium buildings in Sakai City and Izumi City, and the sales of the residential properties for sales business are 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.

However, at this point in time when the end of the novel coronavirus pandemic is not in sight, it is difficult to reasonably calculate the impact of the pandemic on ordering activities reflecting deterioration of the business environment. Therefore, the company's plan for the fiscal year ending March 2021 was undetermined at the beginning of FY 2021.

### 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 Act	FY 3/21 Mid-term	FY 3/22 Mid-term
Residential Properties for Sales	40,919	28,926	42,900	44,300
Housing Distribution	33,094	38,176	30,500	31,000
Effective Land Utilization	23,847	23,298	26,000	25,700
Property Leasing and Management	17,849	20,042	21,600	24,000
Segment Profits	FY 3/19 Act	FY 3/20 Act	FY 3/21 Mid-term	FY 3/22 Mid-term
Residential Properties for Sales	3,726	1,313	2,680	2,720
Housing Distribution	507	713	1,110	1,140
Effective Land Utilization	2,381	2,171	2,720	2,690
Property Leasing and Management	1,747	2,430	2,230	2,610

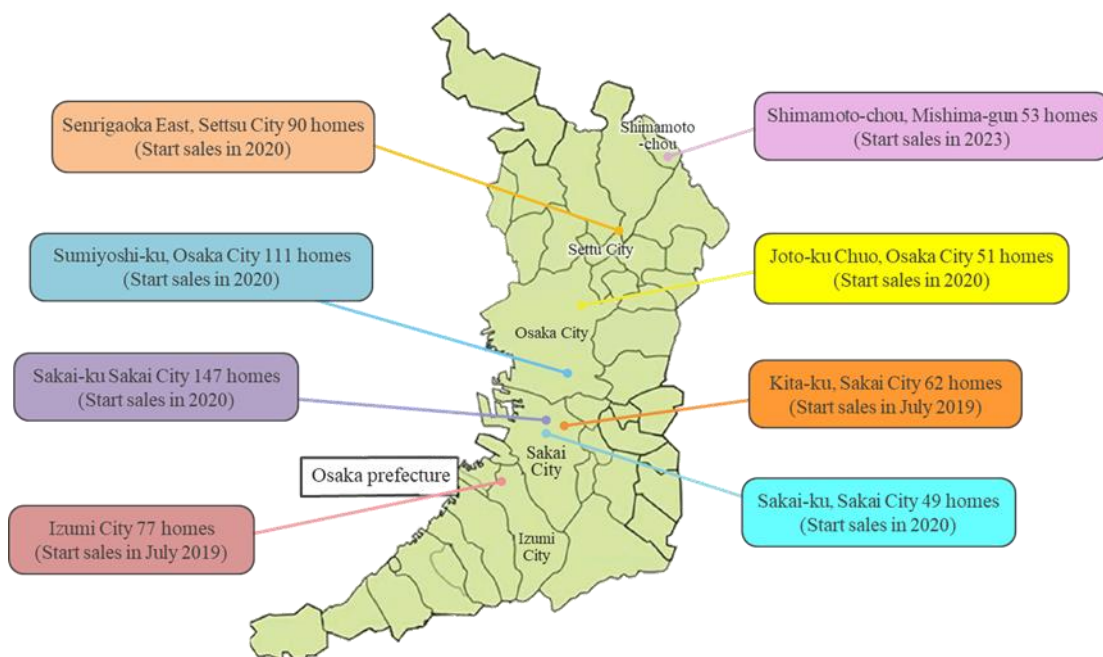
\* Units: ¥mn

\* 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】

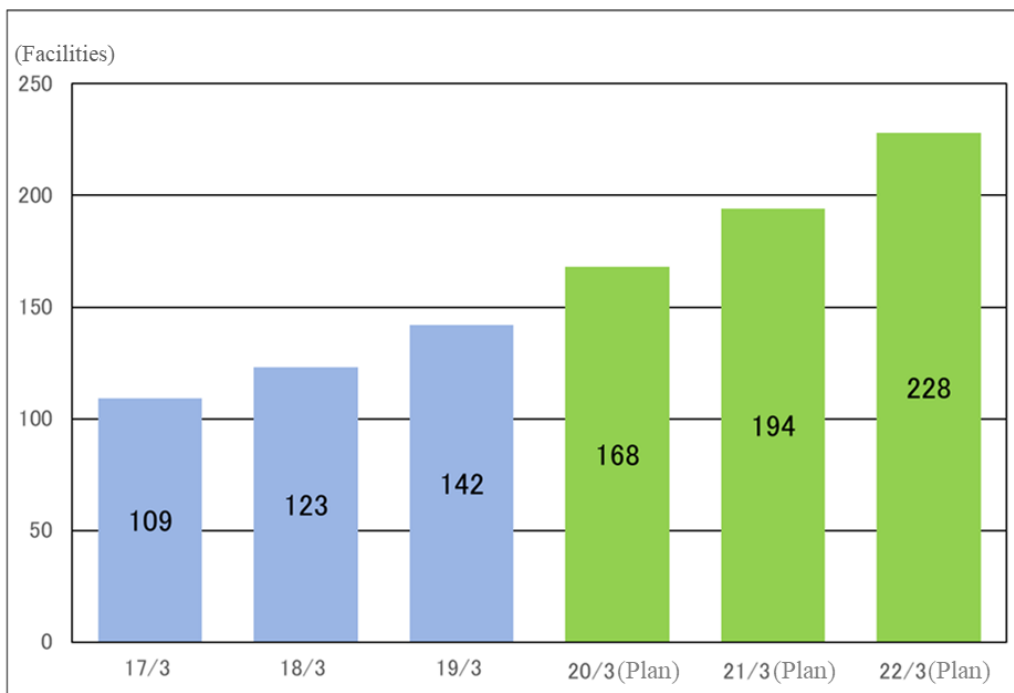


(From the mid-term profit plan of the company)

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**

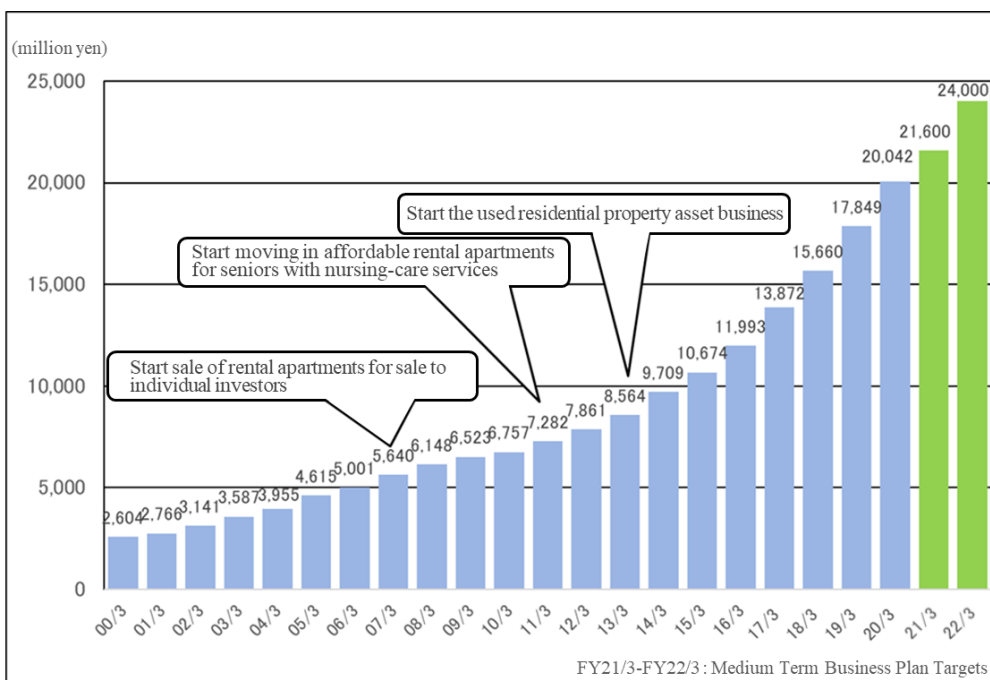
**【Variation in the cumulative number of affordable rental apartments for seniors with nursing-care services】**



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 has been increasing steadily, reaching 20 billion yen in sales in FY3/20.

### 3. Fiscal Year March 2020 Earnings Results

#### (1) Consolidated Earnings

	FY 3/19	Share	FY 3/20	Share	YoY	Company's Forecast	Divergence
Sales	115,710	100.0%	110,444	100.0%	-4.6%	107,000	+3.2%
Gross Income	18,565	16.0%	16,597	15.0%	-10.6%	-	-
SG&A	11,928	10.3%	11,595	10.5%	-2.8%	-	-
Operating Income	6,636	5.7%	5,002	4.5%	-24.6%	5,300	-5.6%
Ordinary Income	6,445	5.6%	4,611	4.2%	-28.4%	5,000	-7.8%
Parent Net Income	4,298	3.7%	3,088	2.8%	-28.1%	3,300	-6.4%

\*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

\* Company's forecast is the forecast announced at the time of the second quarter settlement.

#### Sales and Ordinary Income Decreased 4.6% and 28.4% Year on Year, Respectively.

The sales for the fiscal year ended March 2020 were 110,444 million yen, down 4.6% 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 declined 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, dropped 2.2% 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 business, even though condominiums and used residential properties drove the increase in order contracts. The order contract balance, which is a leading indicator of sales, increased 8.6% year on year and reached a record high for the order contract at the end of the term. This is because orders for condominiums for sale in Kanaoka-cho, Kita-ward, Sakai City and in the vicinity of Izumifuchu station on the JR Hanwa line, which will be delivered in the fiscal year ending March 2021, were strong.

Ordinary income declined 28.4% year on year to 4,611 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, income decreased in the effective land utilization business and the residential properties for sales business, in which the number of deliveries dropped.

Gross profit margin fell 1.0 point year on year due to a decrease in profit in the residential properties for sales business. The sales to SG&A ratio grew 0.2 points despite efforts to reduce costs including reduction in advertisement expenses. The sales to operating income ratio fell 1.2 points to 4.5%.

As a result, operating income decreased 24.6% year on year to 5,002 million yen. The rate of decrease in ordinary income exceeded the rate of decrease in operating income. This is because interest expenses in non-operating expenses rose 149 million yen, a gain from sales of fixed assets amounting to 148 million yen was recorded as extraordinary income, and a loss on retirement of fixed assets amounting to 66 million yen was recorded as extraordinary loss.

The sales in the fiscal year ended March 2020 exceeded the forecast at the beginning of the fiscal year. Meanwhile, operating income and ordinary income fell below the forecast because non-deductible consumption tax on land, etc. increased due to progress in land reclamation work for large-scale sites scheduled to be launched in the next term, and funding costs increased due to accumulation of cash and deposits at the end of the term.

## BRIDGE REPORT



## (2) Segment Earnings

### Segment Sales, Profits

	Sales	Share	YY Change	Segment Profits	Share	YY Change
Residential Properties for Sales	28,926	26.2%	-29.3%	1,313	19.8%	-64.8%
Housing Distribution	38,176	34.6%	+15.4%	713	10.8%	+40.6%
Effective Land Utilization	23,298	21.1%	-2.3%	2,171	32.8%	-8.8%
Property Leasing and Management	20,042	18.1%	+12.3%	2,430	36.7%	+39.1%
Adjustment	-	-	-	-1,626	-	-
<b>Total</b>	<b>110,444</b>	<b>100.00%</b>	<b>-4.6%</b>	<b>5,002</b>	<b>100.00%</b>	<b>-24.6%</b>

\*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 29.3% year on year to 28,926 million yen, and the segment profit declined 64.8% year on year to 1,313 million yen.

The decrease was mainly due to the decline in delivery of free-designed homes from 736 in the same period last year to 905.

The amount of order contracts came from 719 free-designed homes (882 in the same period last year), 143 condominiums for sale (33 in the same period last year), and land sales of 1,531 million yen (3,727 million yen in the same period last year). As a result, it decreased 1.7% year on year to 35,063 million yen.

Sales in the housing distribution segment increased 15.4% year on year to 38,176 million yen, and the segment profit increased 40.6% year on year to 713 million yen.

The increase in the number of delivered used residential properties (detached homes) which increased from 251 in the same period last year to 279 and delivered used residential properties (condominiums) which increased from 1,219 in the same period last year to 1,428 contributed to the increase in both sales and profit.

Although the volume of orders for delivered used residential properties (detached homes) decreased to 275 units (358 units in the same period last year), the volume of orders for delivered used residential properties (condominiums) increased to 1,445 units (1,139 units in the same period last year) and the value of orders in the housing distribution segment increased 13.4% year on year to 38,504 million yen.

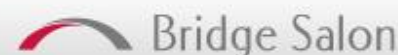
Sales of the effective utilization of land segment was 23,298 million yen, down 2.3% year on year, and the segment profit was 2,171 million yen, down 8.8% year on year.

The decline in the number of delivered rental apartments for sale to individual investors affected the decreases in sales and profits.

The amount of order contracts was 20,938 million yen, down 22.5% year on year. Order contracts include a decrease in rental housing construction contracts by 26.4% year on year, a decrease in rental apartments for seniors with nursing-care service by 65.2% year on year, and an increase in rental apartments for sale to individual investors by 2.2% year on year.

In addition to the above, sales of the property leasing and management segment were 20,042 million yen, up 12.3% year on year, and the segment profit was 2,430 million yen, up 39.1% 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 higher occupancy rates compared to the previous term contributed to the growth of profit.

## BRIDGE REPORT



## Segment Sales

	FY 3/19		FY 3/20			
	Volume	Value	Volume	Value	Share	YY Change
Free-design Homes	905	34,310	736	27,666	25.1%	-19.4%
Condominiums for Sale	87	3,097	14	519	0.5%	-83.2%
Land Sales	20,119 m <sup>2</sup>	3,511	6,142 m <sup>2</sup>	740	0.7%	-78.9%
<b>Residential Properties for Sales</b>	-	40,919	-	28,926	26.2%	-29.3%
Used residential properties (detached homes)	251	5,968	279	6,917	6.3%	+15.9%
Used residential properties (condominiums)	1,219	26,985	1,428	31,255	28.3%	+15.8%
Ready-built house and others	6	141	-	3	0.0%	-97.5%
<b>Housing Distribution</b>	1,476	33,094	1,707	38,176	34.6%	+15.4%
Contract Construction of Rental Properties	26	2,288	29	3,250	2.9%	+42.1%
Affordable Rental Apartments for Seniors with Nursing-care Services	13	4,015	19	5,581	5.1%	+39.0%
Rental Apartments for Sale to Individual Investors	143	17,543	110	14,466	13.1%	-17.5%
<b>Effective Land Utilization</b>	-	23,847	-	23,298	21.1%	-2.3%
Rental Income	-	13,579	-	15,080	13.7%	+11.1%
Income from Affordable Rental Apartments for Seniors with Nursing-care Services	-	3,390	-	4,017	3.6%	+18.5%
Management Fee Income	-	879	-	944	0.9%	+7.4%
Property Leasing and Management	-	17,849	-	20,042	18.1%	+12.3%
<b>Total</b>	-	115,710	-	110,444	100.0%	-4.6%

\*Units: ¥mn

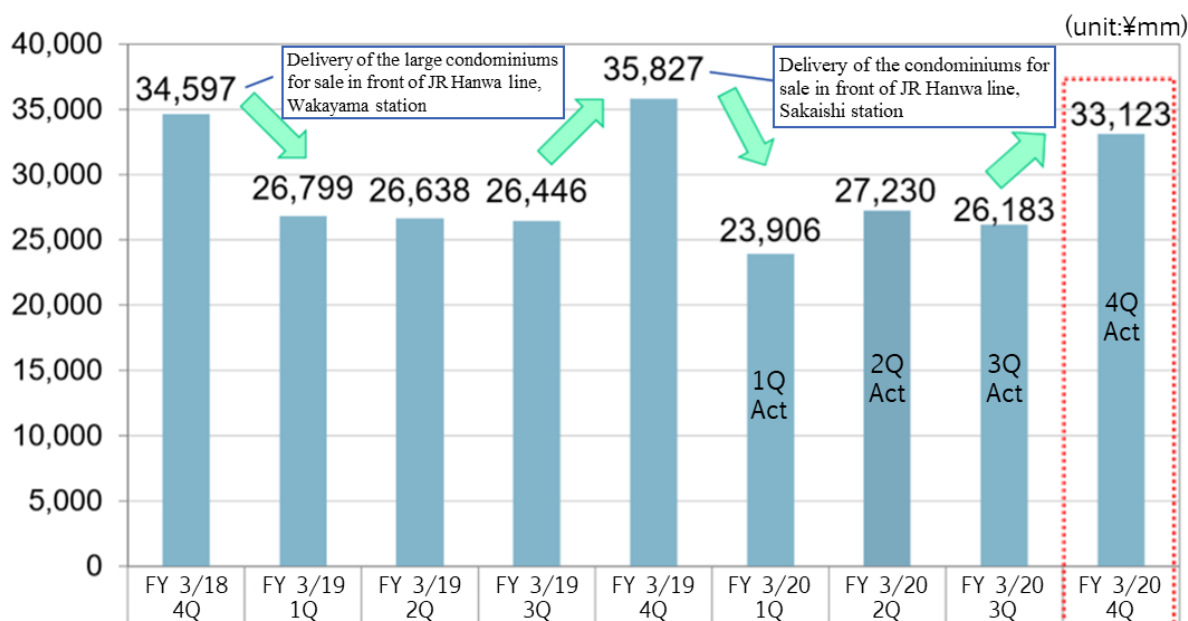
## Segment Order Contracts

	FY 3/19		FY 3/20		
	Volume	Value	Volume	Value	YY Change
Free-design Homes	822	30,756	719	28,578	-7.1%
Condominiums for Sale	33	1,184	14	4,954	+318.2%
Land Sales	21,630 m <sup>2</sup>	3,727	11,055 m <sup>2</sup>	1,531	-58.9%
<b>Residential Properties for Sales</b>	-	35,668	-	35,063	-1.7%
Used residential properties (detached homes)	358	8,470	275	7,006	-17.3%
Used residential properties (condominiums)	1,139	25,449	1,445	31,494	+23.8%
Ready-built house and others	2	46	-	3	-92.5%
<b>Housing Distribution</b>	1,499	33,966	1,720	38,504	+13.4%
Contract Construction of Rental Properties	44	4,305	31	3,168	-26.4%
Affordable Rental Apartments for Seniors with Nursing-care Services	30	8,064	9	2,805	-65.2%
Rental Apartments for Sale to Individual Investors	119	14,639	109	14,964	+2.2%
<b>Effective Land Utilization</b>	-	27,009	-	20,938	-22.5%
<b>Total</b>	-	96,644	-	94,507	-2.2%

\*Units: ¥mn

**(3) Quarterly Earnings Trends**

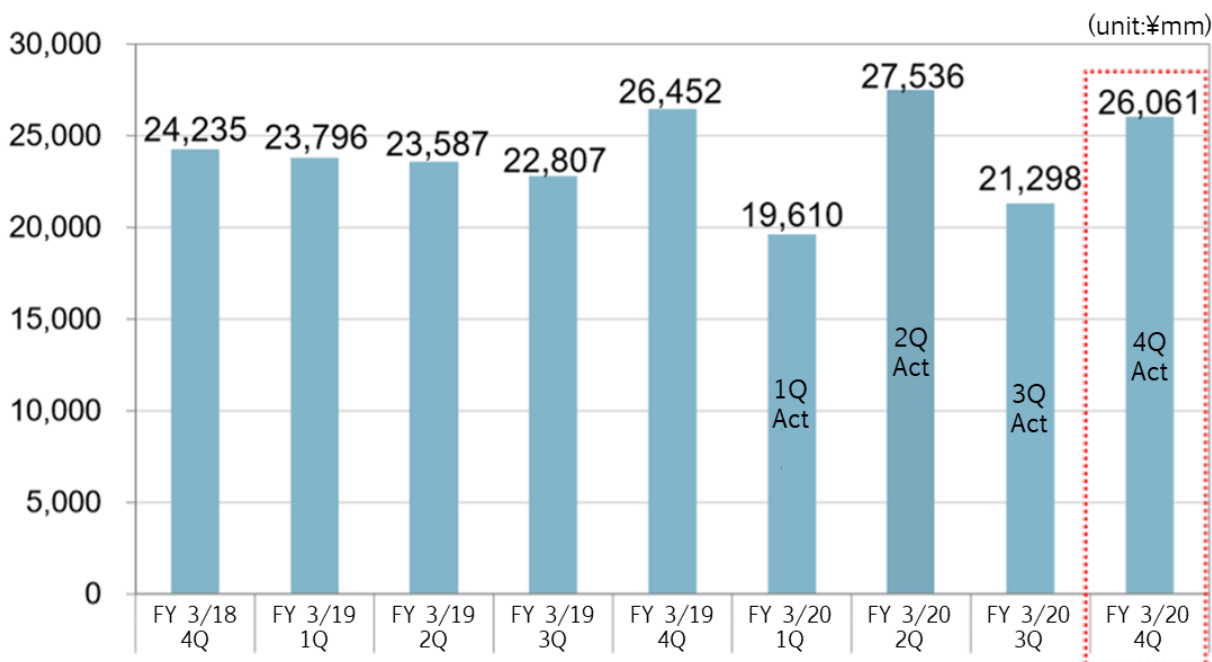
**Variation in Quarterly Consolidated Sales Estimates**



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

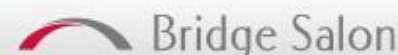
Consolidated sales for the fourth quarter were 33,123 million yen, significantly exceeding the results of the third quarter. They also significantly exceeded the estimate of the fourth quarter (29,681 million yen), which was announced at the third quarter’s settlement. The main factors for this good performance were the increase of delivered used residential properties, the increase in deliveries of free-designed homes and rental apartments for sale to individual investors, and the increase of managed properties in the property leasing and management segment.

**Variations in Quarterly Amount of Order Contracts and Estimates**



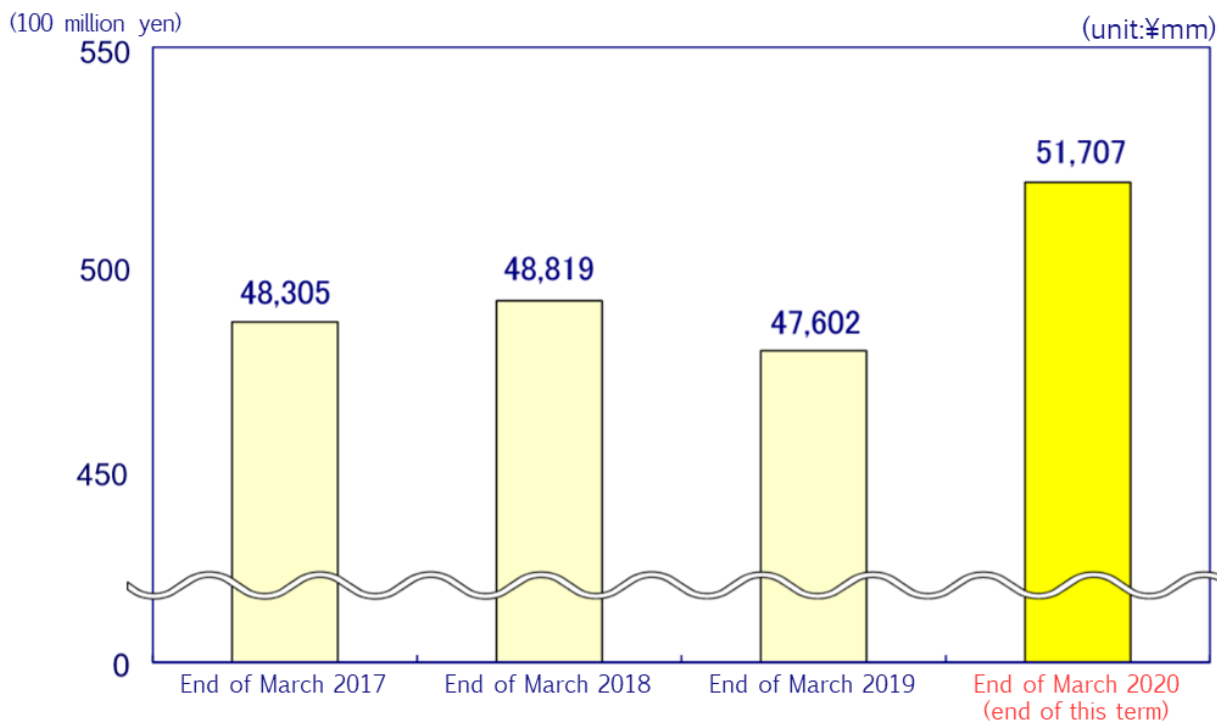
(taken from the supplemental material for the company’s earnings summary)

## BRIDGE REPORT



The amount of order contracts for the fourth quarter of the consolidated fiscal year (January to March) was 26,061 million yen, which was significantly higher than the results of the third quarter. It also significantly exceeded the estimate for the fourth quarter (22,963 million yen), which was announced at the third quarter's settlement. The major contributing factors were strong orders in the used residential properties by enhancing the turnover rates.

### Variations in Amount of Order Contracts



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

The amount of order contract balance at the end of the term was 51,707 million yen, up 8.6% from the end of the previous term, a record high for the end of the accounting period. The major factor was strong orders for condominiums for sale in Kanaoka-cho, Kita ward, Sakai city and in the vicinity of Izumifuchu station on the JR Hanwa line, which will be delivered in the fiscal year ending March 2021.

### (4) Financial Conditions and Cash Flow (CF)

	March 2019	March 2020		March 2019	March 2020
Cash, Equivalents	12,041	14,757	Payables	4,642	4,199
Inventories	93,370	102,064	ST Interest Bearing Liabilities	24,107	33,792
<b>Current Assets</b>	<b>107,998</b>	<b>119,763</b>	Unpaid Taxes	1,398	1,278
Tangible Noncurrent Assets	35,963	38,717	Prepayments	3,572	4,837
Intangible Noncurrent Assets	359	716	LT Interest Bearing Liabilities	70,558	72,024
Investments, Others	3,144	3,237	<b>Liabilities</b>	<b>109,708</b>	<b>122,507</b>
<b>Noncurrent Assets</b>	<b>39,466</b>	<b>42,671</b>	<b>Net Assets</b>	<b>37,756</b>	<b>39,927</b>
<b>Total Assets</b>	<b>147,465</b>	<b>162,435</b>	<b>Total Interest-Bearing Liabilities</b>	<b>94,665</b>	<b>105,816</b>

\*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



## BRIDGE REPORT



Total assets at the end of March 2020 were 162,435 million yen, up 14,969 million yen from the end of the previous year. On the asset side, the main factor for the growth was the increase in cash and deposits and inventories centering on real estate for sale in progress and real estate for development. On the liabilities and net assets side, electronically recorded debt, advance payment, and short-term and long-term interest-bearing debt are the main factors for the increase. The main breakdown of inventories are as follows: real estate for sale 24.82 billion yen (28.22 billion yen at the end of the previous term); real estate for sale in progress 15.25 billion yen (10.32 billion yen at the end of the previous term); and real estate for development 61.70 billion yen (54.68 billion yen at the end of the previous term). Interest-bearing debt increased 11,150 million yen. Equity ratio was 24.6%, down 1.0 point from the end of the previous fiscal year.

## Cash Flow

	FY 3/19	FY 3/20	YY Change	
Operating Cash Flow (A)	11,962	-1,650	-13,613	-
Investing Cash Flow (B)	-16,749	-6,021	10,728	-
Free Cash Flow (A + B)	-4,786	-7,671	-2,884	-
Financing Cash Flow	6,341	10,187	3,845	+60.6%
Cash and Equivalents at Term End	12,041	14,557	2,516	+20.9%

\*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, the growth of the margin of short-term debt caused the margin of inflow of Financing CF to expand. The term-end balance of cash and equivalents grew 20.9% year on year.

## Variations in Cash, Equivalents and Inventories

Current Assets	March 2019	March 2020	Increase/decrease
Cash, Equivalents	12,041	14,757	2,716
Inventories	93,333	102,022	8,689
Others	2,624	2,982	358
Total	107,998	119,763	11,764

\*Units: ¥mn

Inventories	March 2019	March 2020	Increase/decrease
Free-design Homes	57,645	58,899	1,253
Condominiums for Sale	3,206	8,412	5,206
Rental Apartments for Sale to Individual Investors	7,697	12,790	5,092
Used residential properties	23,471	20,522	-2,948
Others	1,311	1,396	86
Total	93,333	102,022	8,689

\*Units: ¥mn

The company increased the cash on hand in preparation for the demand for funds in association with the novel coronavirus pandemic. In addition, in the fiscal year ended March 2020, it acquired land for the large-scale project for selling detached homes, expanded the acquisition of land for sale in condominiums in the vicinity of stations, and focused on acquiring land for rental apartments for sale for individual investors, which has a strong demand. As a result, inventories of real estate increased 8,689 million yen.

Furthermore, used homes decreased 2,948 million yen due to the policy of reducing inventory and increasing turnover rate.

## 4. Fiscal Year March 2021 Earnings Estimates

### (1) Consolidated Earnings

	FY 3/20 Act.	Share	FY 3/21 Est.	Share	YY Change
Sales	110,444	100.0%	-	-%	-%
Operating Income	5,002	4.5%	-	-%	-%
Ordinary Income	4,611	4.2%	-	-%	-%
Parent Net Income	3,088	2.8%	-	-%	-%

\*Units: ¥mn

### Non-disclosure of consolidated business estimates for the fiscal year ending March 2021.

The company decided to postpone the announcement of the business forecasts for the fiscal year ending March 2021. This is because it is difficult to reasonably calculate the impact of the coronavirus pandemic on ordering activities reflecting the deterioration of the business environment at the moment when no one knows when the novel coronavirus pandemic will end. For the same reason, it has not determined the dividend forecast for the fiscal year ending March 2021. The company intends to make a prompt announcement as soon as it is possible to calculate earnings and dividends estimates.

In the medium-term profit plan, the company was initially forecasting that the business performance would recover to a level exceeding the results of the fiscal year ended March 2019, through an increase of delivery of condominiums for sale and the launch of the large-scale project for selling detached homes in the fiscal year ending March 2021. It is necessary to keep eyes on the novel coronavirus pandemic and its impact on the medium-term profit plan.

### (2) Main Topics

#### Introducing a new incentive system for employees and executives

The company will introduce a new employee system as an incentive plan to enhance the medium to long-term corporate value by expanding the employee welfare system, fostering a sense of belonging among the employees and giving them a sense of participation in management, and raising their awareness on improving medium to long-term performance. Through the new system, the employees' trust, which is funded and set by the company, will acquire the company's shares and give the number of shares equivalent to the number of points that the employees gained to the employees at a certain time every year, based on the stock delivery rules for the employees established by the company in advance. The entire cost related to the establishment of the trust will be paid by the company, so there will be no financial burden on the employees. With this system, the employees will be able to get the economic benefits of rising the company's stock prices. The effect of increasing work motivation among the employees is also expected while encouraging business performance with stock price awareness. Furthermore, exercising voting rights for the company's stock, which is the property of the trust, reflects the intentions of employees who are beneficiary candidates, and is therefore expected to raise the awareness of participation in management.

Furthermore, the company will establish a system for executives, with the aim of enhancing their motivation for improving performance, rewarding the motivation, and reducing administrative work compared with the stock option system. Based on the stock delivery rules for the executives established by the company in advance, the executives' trust, which is funded and set by the company, will acquire the company's shares and give the number of shares equivalent to the number of points that the executives gained to the directors, etc. at a certain time every year. They will be implemented with a resolution to approve the agenda concerning the system for executives at a general meeting of shareholders.

#### The company was certified as the "Health and Productivity Management Organization 2020, Large Enterprises Category (White 500)" for the fourth consecutive year

On March 2, 2020, the company was certified as the "Health and Productivity Management Organization 2020, Large Enterprises Category (White 500)" for the fourth consecutive year by the Ministry of Economy, Trade and Industry in collaboration with Nippon Kenko Kaigi. White 500 is awarded to large enterprises such as medical corporations nationwide, regardless of their listing status, that engage in health and productivity management programs in collaboration with health insurance society members and other associates.

From this year, among the certified corporations in the “Health and Productively Management Organization, Large Enterprise Category,” only the top 500 are recognized as “White 500.” The company was certified as the “Health and Productivity Management Organization 2020, Large Enterprises Category (White 500)” for the fourth consecutive year.

Furthermore, the company was chosen as a “Healthy Management Stock” three times, a record figure for the real estate industry, by the Ministry of Economy, Trade and Industry in collaboration with the Tokyo Stock Exchange. In December of last year, the company was also chosen by Japan Sports Agency as a “Sports Yell Company” that certifies companies actively promoting measures to improve employee’s health. As a company that considers the health management of employees and others from a management perspective and strives to promote health, it is its policy to improve business performance and corporate value from a long-term perspective.

## 5. Conclusions

Although it is unclear how the novel coronavirus pandemic will adversely affect the Japanese economy and the company’s business foundation, a firm order trend was confirmed in the company’s fourth quarter financial results (January-March). Orders received in the fourth quarter (January-March) amounted to 26,061 million yen, which was much higher than the results of the third quarter and also greatly exceeded the forecast for the fourth quarter of 22,963 million yen, which was announced at the end of the third quarter. In addition, the order backlog at the end of the fiscal year, which is a leading indicator of sales, increased by 8.6% from the end of the previous fiscal year to 51,707 million yen, marking a record high order backlog. This is because orders for condominiums for sale in Kanaoka-cho, Kita-ward, Sakai City and in the vicinity of Izumifuchu station on the JR Hanwa line, which will be delivered in the fiscal year ending March 2021, were strong and also contract volume for individual rental apartments for individual investors has increased. In the medium-term profit plan, it is initially expected that the delivery of condominiums will increase in the fiscal year ending March 2021, and the overall performance is expected to recover to a level exceeding the fiscal year ended March 2019. The company plans to deliver two condominiums for sale in Sakai City and Izumi City, and sales of the residential properties for sales segment will increase to the level of the sale of the fiscal year ended March 2019. In addition, the large-scale project for selling detached homes in Hokusetsu and Hanshinkan areas will be launched. In the housing distribution segment, the effect of purchasing high-margin products in Osaka City, Hokusetsu and Hanshinkan areas will become apparent. Furthermore, the rental apartments for seniors with nursing-care services, for which the orders were received in the fiscal year ended March 2019, will be delivered in and after the fiscal year ending March 2021, and the leasing and management segment will steadily grow. These are the assumptions of the medium-term profit plan. It is necessary to check which part of the medium-term profit plan will be affected by the novel coronavirus pandemic. In the strong headwind of the novel coronavirus pandemic, we would like to pay attention to whether portfolio management will show its true value, and to what extent it can approach its medium-term profit plan through its own responsive capability and management efforts.

## <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 June 26, 2020.

### <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】	<p>Our company adopted the electronic voting platform.</p> <p>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 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>In all of our businesses, we carry out comprehensive transactions with financial institutions, such as borrowing funds for acquisition of real estate, acquiring information on real estate purchasing, and introducing customers in the effective land utilization business. Cooperation with financial institutions is essential for business expansion and sustainable development.</p> <p>For the medium- to long-term goal of improving corporate value, we seek understanding on our management philosophy and management attitude, and we plan to hold investment stocks of financial institutions, which are premised on comprehensive transactions, after verifying their economic rationality.</p> <p>The maximum number of shares held for each issue is 500,000 and the shareholder's equity is within 2%.</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>

## &lt;Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)&gt;

Principles	Disclosure contents
<p>【Supplementary Principle 4-11-3. Overview of the results of analysis and evaluation of the effectiveness of the board of directors】</p>	<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"> <li>• 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.</li> <li>• 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 directors.</li> </ul>
<p>【 Principle 5-1. Policy on constructive dialogue with shareholders】</p>	<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>

## &lt;Other&gt;

In the basic policy concerning corporate governance, it states, “We aim to be a company that is always trusted by our customers, business partners, and shareholders, and contributes to society through our business by cultivating the existing business areas, aggressively entering in Osaka City, which is the largest market in the prefecture, as well as the northern area of Osaka Prefecture and the southern area of Hyogo Prefecture and improving profitability and strengthening the financial position based on the idea of expanding the business in line with the growth of human resources.”

## BRIDGE REPORT



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