

August 7, 2019

Consolidated Financial Results
for the First Three Months of the Fiscal Year Ending March 31, 2020
<under J-GAAP>

Company name: **Pressance Corporation Co., Ltd.**
 Listing: First Section of the Tokyo Stock Exchange
 Section code: 3254
 URL: <http://www.pressance.co.jp/>
 Representative: Shinobu Yamagishi, President and Representative Director
 Contact: Yutaka Doi, Vice President and Director
 TEL: +81-6-4793-1650

Scheduled date of filing of quarterly securities report: August 9, 2019

Scheduled starting date for dividend payments: -

Preparation of supplementary quarterly materials for financial results: Yes

Holding of quarterly financial results presentation meeting: No

(Values of less than one million rounded down)

1. Consolidated operating results for the first three months of the fiscal year ending March 31, 2020
(from April 1, 2019 to June 30, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes compared to the same period of the previous FY)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First three months of the fiscal year ending March 31, 2020	68,240	(16.3)	14,066	(27.0)	13,926	(27.3)	9,603	(26.8)
First three months of the fiscal year ended March 31, 2019	81,514	127.7	19,274	182.6	19,158	183.9	13,111	186.6

Note: Comprehensive income First three months of the fiscal year ending March 31, 2020: 9,556 million yen [(27.4) %]
 First three months of the fiscal year ended March 31, 2019: 13,156 million yen [187.3 %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First three months of the fiscal year ending March 31, 2020	154.69	149.46
First three months of the fiscal year ended March 31, 2019	215.06	204.49

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2019	295,765	102,740	34.1
As of March 31, 2019	301,942	94,618	30.7

Reference: Equity

As of June 30, 2019: 100,838 million yen

As of March 31, 2019: 92,715 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2019	-	17.50	-	23.00	40.50
Fiscal year ending March 31, 2020	-				
Fiscal year ending March 31, 2020 (Forecast)		26.00	-	26.00	52.00

Note: Revisions to the dividends forecasts most recently announced: None

3. Forecasts of consolidated operating results for the fiscal year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Half year	122,058	0.6	20,487	(20.5)	19,935	(22.1)	13,649	(21.6)	219.88
Full year	209,219	30.3	32,531	20.0	31,429	18.5	21,520	17.6	346.67

Note: Revisions to the results forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of specific accounting policies for quarterly consolidated financial statements: Yes
(Corporate Income Tax Calculation Standards)
Regarding taxes, a reasonable estimate of the effective tax rate for the projected full-year pretax income for the current fiscal year, including the actual income figure for the first three months of the fiscal year, has been arrived at using the tax-effect accounting method.
- (3) Changes in accounting policies, changes in accounting estimates and restatement after error corrections
 - a. Changes in accounting policies due to amendments to accounting standards and other regulations: None
 - b. Changes in accounting policies due to other reasons than a. above: None
 - c. Changes in accounting estimates: None
 - d. Restatement after error corrections: None

(4) Number of issued shares (common stock)

a. Number of issued shares at the end of each period (including treasury shares)

As of June 30, 2019	62,941,385 shares
As of March 31, 2019	62,941,385 shares

b. Number of treasury shares at the end of each period

As of June 30, 2019	863,744 shares
As of March 31, 2019	863,744 shares

c. Average number of shares during the period

First three months of the fiscal year ending March 31, 2020	62,077,641 shares
First three months of the fiscal year ended March 31, 2019	60,968,705 shares

Notes:

Due to the introduction of the share-based payment type ESOP, a certain number of shares of the Company held in the trust account is included in the "Number of treasury shares at the end of period" (313,980 shares for the 1st quarter of the fiscal year ending March 31, 2020 and 313,980 shares for the fiscal year ended March 31, 2019). And a certain number of shares held in the trust account is included in the treasury shares that were deducted in the calculation of the "Average number of outstanding shares during the period"

(313,980 shares for the 1st quarter of the fiscal year ending March 31, 2020 and 313,980 shares for the 1st quarter of the fiscal year ended March 31, 2019).

* Quarterly financial results report by public accountants or auditing firms are not required

* Explanations about the proper use of financial forecasts and other important notes

(Caution Concerning Forward-looking Statements)

Forward-looking statements in this document, including the results forecasts, are based on the information available to the Company at the time of disclosure and on certain assumptions deemed to be practicable by the Company. These statements do not purport that the Company pledges or ensures to achieve such statements. Actual business and other results may differ substantially due to various factors. For preconditions to the assumptions and other important notes concerning the financial forecasts, please refer to “1. Quarterly Qualitative Information (3) Explanation for the Forecast of Consolidated Financial Results ending March 31, 2020 on page 5 of the attachment.

(Method of Obtaining Supplementary Materials for Quarterly Financial Results)

Supplementary materials for quarterly financial results are available on the Company’s website.

(Changes in the unit of amount)

Amounts provided in our quarterly consolidated financial statements had been expressed in thousands of yen. However, starting from the consolidated 1st quarter of the fiscal year ending March 31, 2020 and cumulative 1st quarter of the fiscal year ending March 31, 2020, such amounts shall be expressed in millions of yen. For ease of comparison, amounts for the consolidated fiscal year ended March 31, 2019 and cumulative 1st quarter of the fiscal year ended March 31, 2019 are also converted into amounts in millions of yen.

1. Quarterly Qualitative Information

(1) Business Results

During the first cumulative quarter of consolidated fiscal year, the Japanese economy steadily recovered with moderate increase in consumer spending along with improvements of employment and personal income environment.

In the real estate industry, a business area of the Pressance Group (the “Group”), business has been steady amid relatively low mortgage loan interest rates, ongoing home loan tax cuts and other governmental measures to promote the purchase of houses, while there are concerns about a rise in official land prices in the three largest cities (Tokyo, Osaka and Nagoya) and core regional cities, a rise in construction work costs as well as other matters. Population tends to flow into urban central areas for the sake of convenient urban lives, keeping the demand for condominiums healthy.

In these business circumstances, with our dominant strategy, Pressance Corporation Co, Ltd. (the “Company”) has strived to purchase land for business in select areas in the central part of the Kinki and Tokai/Chukyo regions and core regional cities, which are our major sales areas, and focus on supplying condominiums in those areas.

Under such business condition, the Company posted the following consolidated performance for the first three months of the fiscal year ending March 31, 2020, net sales amounted to 68,240 million yen (down 16.3% year on year), operating profit amounted to 14,066 million yen (down 27.0% year on year), ordinary profit amounted to 13,926 million yen (down 27.3% year on year) and profit attributable to shareholders of the parent company amounted to 9,603 million yen (down 26.8% year on year).

The Group’s mainstream real estate sales business employs an accounting on a delivery-basis, instead of a sales agreement completion basis, recording sales on delivery of condominiums to customers. Revenue and profit for the first cumulative quarterly consolidated accounting period decreased year on year due to fewer family-type condominiums completed and delivered, but financial results have made healthy progress compared to the full-year forecast.

An overview of operating results by product segment is as follows:

Real Estate Sale Business

In the real estate sales business, Pressance Loger Kyobashi (84 units), a family-type condominium in the Pressance Loger series, and Pressance THE Kobe (235 units), a Pressance series studio condominium, have performed favorably. The sales of studio condominium amounted to 28,020 million yen (1,405 units), sales of family-type condominium amounted to 26,135 million yen (711 units), sales of condominium building amounted 4,214 million yen (275 units), sales of hotel property amounted to 2,050 million yen (126 units), sales of other type of housing amounted to 760 million yen (43 units), sales of other real estate amounted to 5,000 million yen, business accompanying real estate sales amounted to 325 million yen. Total sales of real estate sale business posted 66,506 million yen (down 16.7% year on year) and, operating profit amounted to 13,724 million yen (down 27.4% year on year).

Since sales from the condominium business, our main business, are recorded on a delivery basis that is later than completion, there may be fluctuation in the quarterly sales results depending on the timing of land acquisition, development plans or construction schedules.

Other Business

There was an increase in the rent revenue with a high occupancy rate of the owned real estate for rent. As a result, the sales in other business amounted to 1,734 million yen (up 0.8% year on year) and operating profit came to 695 million yen (down 1.6% year on year).

(2) Financial Position

Current Assets

Total current assets as of the end of the first three months of the fiscal year amounted to 275,447 million yen (down 1.8%), which represents a decrease of 5,144 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in cash and deposits of 5,602 million yen.

Fixed Assets

Total fixed assets as of the end of the first three months of the fiscal year amounted to 20,317 million yen (down 4.8%), which represents a decrease of 1,032 million yen compared to the end of the previous fiscal year.

This decrease was due mainly to a decrease in real estate for rent by 1,114 million yen, transferring self-owned real estate for rent to real estate for sale.

Liabilities

Total liabilities as of the end of the first three months of the fiscal year amounted to 193,024 million yen (down 6.9%), which represents a decrease of 14,298 million yen compared to the end of the previous fiscal year. This was mainly due to decreases in “Loan payable to bank” of 11,269 million yen and “Advances received” of 1,790 million yen along with the delivery of the condominiums.

Net Assets

Total net assets as of the end of the first three months of the fiscal year amounted to 102,740 million yen (up 8.6%), which represents an increase of 8,121 million yen compared to the end of the previous fiscal year. This was principally due to the increase in retained earnings by 8,168 million yen because of the posting of quarterly profit attributable to the shareholders of the parent company.

Analysis on Cash Flows

Cash and cash equivalents as of the end of the first three months of the fiscal year ending March 31, 2020, totaled 33,797 million yen (down 14.2%), which represents a decrease of 5,602 million yen compared to the end of the previous fiscal year.

The status and factors in each cash flow for the first consolidated cumulative period of the fiscal year are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities came to 7,184 million yen (Compared with 24,307 million yen provided in the first quarter of the previous fiscal year).

This was mainly due to the posting of income before income taxes amounting 13,926 million yen. On the other hand, cash was used in payment of income taxes amounting 5,221 million yen and a decrease in “Advances received” by 1,806 million yen due to the delivery of condominiums.

Cash Flows from Investment Activities

Net cash used in investment activities came to 104 million yen (Compared with 239 million yen used in the same period of previous fiscal year).

The decrease was due mainly to cash outflows by 54 million yen of loans to affiliates and by 49 million yen of expenses for the acquisition of fixed assets.

Cash Flows from Financing Activities

Net cash used in financing activities came to 12,679 million yen (Compared with 11,941 million yen used in the same period of previous fiscal year).

The decrease was due mainly to the net decrease in bank loans by 11,269 million yen and the dividend payment of 1,409 million yen, resulting in a decrease in capital.

(3) Explanation for the Forecast of Consolidated Financial Results ending March 31, 2020

Condominium sales, our major business, have a tendency to give an excessive skewness or deformations in a specific quarter results due to the timing of delivery of condominium, since sale of condominium is to be posted on the basis of delivery of the condominium unit.

Our business results in the consolidated cumulative first quarter of the fiscal year ending March 31, 2020 have been making sound progress, and there is no change on our forecasts of consolidated financial results for the fiscal year released on May 10, 2019.

Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	41,990	36,387
Accounts receivable - trade	64	68
Real estate for sale	9,603	13,420
Real estate for sale in process	225,302	221,883
Raw materials and supplies	278	293
Other	3,352	3,392
Total current assets	280,591	275,447
Non-current assets		
Property, plant and equipment		
Real estate for rent, net	15,251	14,136
Other, net	596	614
Total property, plant and equipment	15,848	14,751
Intangible assets	332	316
Investments and other assets	5,170	5,249
Total non-current assets	21,350	20,317
Total assets	301,942	295,765

As of March 31, 2019

As of June 30, 2019

Liabilities		
Current liabilities		
Notes and accounts payable - trade	117	209
Electronically recorded obligations - operating	7,085	6,626
Short-term loans payable	9,920	9,997
Current portion of long-term loans payable	44,547	38,093
Income taxes payable	5,417	4,510
Advances received	11,503	9,712
Provision for bonuses	218	300
Other	4,106	4,048
Total current liabilities	82,916	73,498
Non-current liabilities		
Bonds with share acquisition rights	3,500	3,500
Long-term loans payable	120,119	115,227
Provision for directors' retirement benefits	623	—
Provision for share-based payment	146	146
Other	17	652
Total non-current liabilities	124,407	119,526
Total liabilities	207,323	193,024
Net assets		
Shareholders' equity		
Capital stock	2,404	2,404
Capital surplus	3,406	3,406
Retained earnings	87,777	95,945
Treasury shares	(887)	(887)
Total shareholders' equity	92,699	100,867
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	15	(31)
Total accumulated other comprehensive income	15	(29)
Subscription rights to shares	123	123
Non-controlling interests	1,779	1,778
Total net assets	94,618	102,740
Total liabilities and net assets	301,942	295,765

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

(Millions of yen)

	First three months of the fiscal year ended March 31, 2019	First three months of the fiscal year ending March 31, 2020
Net sales	81,514	68,240
Cost of sales	57,285	48,436
Gross profit	24,229	19,804
Selling, general and administrative expenses	4,954	5,737
Operating profit	19,274	14,066
Non-operating income		
Interest income	0	0
Dividend income	0	0
Purchase discounts	—	0
Share of profit of entities accounted for using equity method	—	31
Foreign exchange gains	47	—
Commission fee	23	13
Penalty income	13	34
Other	21	30
Total non-operating income	106	110
Non-operating expenses		
Interest expenses	155	227
Share of loss of entities accounted for using equity method	41	—
Foreign exchange losses	—	23
Commission fee	25	0
Other	0	0
Total non-operating expenses	222	250
Ordinary profit	19,158	13,926
Extraordinary losses		
Loss on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	—
Total extraordinary losses	1	—
Profit before income taxes	19,157	13,926
Income taxes	6,046	4,324
Net income	13,110	9,601
(Loss) attributable to non-controlling interests	(0)	(1)
Profit attributable to owners of parent	13,111	9,603

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First three months of the fiscal year ended March 31, 2019	First three months of the fiscal year ending March 31, 2020
Net income	13,110	9,601
Other comprehensive income		
Valuation difference on available-for-sale securities	0	1
Foreign currency translation adjustment	45	(49)
Share of other comprehensive income of entities accounted for using equity method	—	2
Total other comprehensive income	46	(45)
Comprehensive income	13,156	9,556
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,157	9,557
Comprehensive income attributable to non-controlling interests	(0)	(1)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First three months of the fiscal year ended March 31, 2019	First three months of the fiscal year ending March 31, 2020
Cash flows from operating activities		
Income before income taxes	19,157	13,926
Depreciation	112	118
Amortization of goodwill	25	25
Interest and dividend income	(0)	(0)
Interest expenses	155	227
Foreign exchange losses (gains)	(47)	20
Share of (profit) loss of entities accounted for using equity method	41	(31)
Decrease (increase) in inventories	17,619	579
Increase (decrease) in notes and accounts payable - trade	(5,552)	(381)
Increase (decrease) in provision for bonuses	67	82
Increase (decrease) in provision for directors' retirement benefits	13	(623)
Loss (gain) on sales of non-current assets	0	—
Loss on retirement of non-current assets	0	—
Increase (decrease) in advances received	(5,575)	(1,806)
Decrease (increase) in consumption taxes refund receivable	786	59
Increase (decrease) in accrued consumption taxes	1,279	(178)
Other	405	592
Subtotal	28,489	12,610
Interest and dividend income received	0	0
Interest expenses paid	(153)	(204)
Income taxes paid	(4,029)	(5,221)
Net cash provided by (used in) operating activities	24,307	7,184
Cash flows from investing activities		
Purchase of non-current assets	(20)	(49)
Purchase of investment securities	(0)	(0)
Payments for investments in capital of subsidiaries and associates	(185)	—
Other	(33)	(54)
Net cash provided by (used in) investing activities	(239)	(104)

(Millions of yen)

	First three months of the fiscal year ended March 31, 2019	First three months of the fiscal year ending March 31, 2020
Cash flows from financing activities		
Proceeds from long-term loans payable	23,933	15,226
Repayments of long-term loans payable	(28,441)	(26,572)
Proceeds from issuance of common shares	22	—
Cash dividends paid	(1,000)	(1,409)
Net increase (decrease) in short-term loans payable	(6,501)	77
Proceeds from disposal of treasury shares	46	—
Net cash provided by (used in) financing activities	(11,941)	(12,679)
Effect of exchange rate change on cash and cash equivalents	59	(4)
Net increase (decrease) in cash and cash equivalents	12,186	(5,602)
Cash and cash equivalents at beginning of period	29,314	39,400
Cash and cash equivalents at end of period	41,500	33,797

Others

(1) Orders and sales

a. Actual orders

First three months of the fiscal year ended March 31, 2019 (from April 1, 2018 to June 30, 2018)

Name of segment	Category	Total amount of contracts				Outstanding balance of contracts			
		Number of units	Year on year (%)	Amount (Millions of yen)	Year on year (%)	Number of units	Year on year (%)	Amount (Millions of yen)	Year on year (%)
Real estate sale business	Studio condominiums	790	141.8	15,015	154.2	904	243.0	17,139	271.8
	Family-type condominiums	417	80.0	15,457	80.8	1,397	58.8	51,007	56.2
	Sale of condominium building	689	141.5	9,309	130.5	1,532	120.9	21,535	121.9
	Sale of hotel property	476	—	12,704	174,588.7	1,070	260.3	24,211	326.5
	Sale of other type of housing	18	100.0	229	45.9	6	28.6	120	19.8
	Sale of other real estate	—	—	164	8.3	—	—	—	—
Total amount of reportable segments		2,390	151.0	52,881	137.4	4,909	110.4	114,014	92.9

※

First three months of the fiscal year ending March 31, 2020 (from April 1, 2019 to June 30, 2019)

Name of segment	Category	Total amount of contracts				Outstanding balance of contracts			
		Number of units	Year on year (%)	Amount (Millions of yen)	Year on year (%)	Number of units	Year on year (%)	Amount (Millions of yen)	Year on year (%)
Real estate sale business	Studio condominiums	737	93.3	13,578	90.4	1,570	173.7	29,701	173.3
	Family-type condominiums	604	144.8	22,448	145.2	2,016	144.3	73,901	144.9
	Sale of condominium building	146	21.2	3,690	39.6	1,775	115.9	28,903	134.2
	Sale of hotel property	126	26.5	2,050	16.1	1,054	98.5	25,708	106.2
	Sale of other type of housing	60	333.3	1,170	509.4	36	600.0	867	721.2
	Sale of other real estate	—	—	976	594.2	—	—	5,176	—
Total amount of reportable segments		1,673	70.0	43,914	83.0	6,451	131.4	164,258	144.1

※

Notes:

1. In the table above, “total amount of orders” has been replaced with “total amount of contracts.
2. Consumption taxes are not included in the above amounts.
3. Amounts of additional constructions are included in the above amounts.
4. The sale of condominium building refers to the method of wholesaling the whole or part of each condominium building mainly to condominium dealers.
5. The sale of other type of housing refers to the sale of houses other than newly built condominiums, including used houses and detached houses.
6. The sale of other real estate refers to the sale of real estate other than housing, including commercial stores and lands for development.
7. Amounts of contracts for sale of other real estate in the first three months of the previous fiscal year refers to lands for development.

The contract amounts of other real estate sales for the first cumulative quarterly consolidated accounting period are related to land for development (335 million yen) and office buildings (641 million yen), while outstanding contract amounts are related to land for development (4,535 million yen) and office buildings (641 million yen).

8. Number of units in total amount of contracts and the outstanding balance of contracts may fluctuate due to change of business plan and others.

※ Please refer to ※ on page 13.

b. Actual sales

Name of segment	Category	The first three months of FY ended March 31, 2019 (from April 1, 2018 to June 30, 2018)				The first three months of FY ending March 31, 2020 (from April 1, 2019 to June 30, 2019)			
		Number of units	Year on year (%)	Amount (Millions of yen)	Year on year (%)	Number of units	Year on year (%)	Amount (Millions of yen)	Year on year (%)
Real estate sale business	Studio condominiums	1,388	141.9	24,979	148.2	1,405	101.2	28,020	112.2
	Family-type condominiums	1,164	573.4	44,857	619.7	711	61.1	26,135	58.3
	Sale of condominium building	297	78.8	4,568	66.3	275	92.6	4,214	92.3
	Sale of hotel property	240	333.3	4,601	436.9	126	52.5	2,050	44.5
	Sale of other type of housing	20	500.0	236	211.6	43	215.0	760	321.6
	Sale of other real estate	—	—	164	8.3	—	—	5,000	3,041.4
	Business accompanying real estate sale	—	—	386	189.6	—	—	325	84.2
Total amount of reportable segments		3,109	190.3	79,794	232.3	2,560	82.3	66,506	83.3
Other		—	—	1,719	118.5	—	—	1,734	100.8
Total		3,109	190.3	81,514	227.7	2,560	82.3	68,240	83.7

※

Notes:

1. Consumption taxes are not included in the above amounts.
2. Amounts of additional constructions are included in the above amounts.
3. The sale of condominium building refers to the method of wholesaling the whole or part of each condominium building mainly to condominium dealers.
4. The sale of other type of housing refers to the sale of houses other than newly built condominiums, including used houses and detached houses.
5. The sale of other real estate refers to the sale of real estate other than housing, including commercial stores and lands for development.
6. Business accompanying real estate sale includes income from post-delivery optional construction work such as floor coating and income from intermediation fees from real estate sales.
7. Other real estate sales for the previous first cumulative quarterly consolidated accounting period and for the current first cumulative quarterly consolidated accounting period are related to land for development.

※The sales amounts of family-type condominium in the first three months of this fiscal year decreased drastically, compared to the same period of the previous fiscal year. This was due to steep rise in the number of completion and delivery of family-type condominium including our big project such as “Pressance Legend Biwako” in the first three months of the previous fiscal year.

As a result, as provided in “a. Actual orders”, the outstanding balance of contracts for family-type condominiums for the current first cumulative quarterly consolidated accounting period is 73,901 million yen, a significant year-on-year increase of 22,894 million yen from 51,007 million yen in the first three months of the previous fiscal year.