

November 13, 2020

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2021 <under J-GAAP>

Company name: **Pressance Corporation Co., Ltd.**
 Listing: First Section of the Tokyo Stock Exchange
 Section code: 3254
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Scheduled date of filing of quarterly securities report: November 13, 2020
 Scheduled starting date for dividend payments: December 2, 2020
 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 six months of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020)

(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 six months of the fiscal year ending March 31, 2021	135,411	8.0	18,314	(22.6)	18,416	(21.3)	12,769	(18.5)
First six months of the fiscal year ended March 31, 2020	125,383	3.3	23,669	(8.2)	23,398	(8.5)	15,660	(10.0)

Note: Comprehensive income First six months of the fiscal year ending March 31, 2021: 12,802 million yen [(18.0) %]
 First six months of the fiscal year ended March 31, 2020: 15,619 million yen [(10.3) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
First six months of the fiscal year ending March 31, 2021	198.33	198.29
First six months of the fiscal year ended March 31, 2020	252.10	243.53

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2021	284,854	128,857	44.7
As of March 31, 2020	310,779	116,690	37.1

Reference: Equity

As of September 30, 2021: 127,409 million yen
 As of March 31, 2020: 115,253 million yen

2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual total
Fiscal year ended March 31, 2020	Yen -	Yen 26.00	Yen -	Yen 13.00	Yen 39.00
Fiscal year ending March 31, 2021	-	13.00			
Fiscal year ending March 31, 2021 (Forecast)			-	13.00	26.00

Note: Revisions to the dividends forecasts most recently announced: Yes

For the revision to the dividends forecasts, please refer to “Notice Regarding Differences Between (Consolidated and Non-Consolidated) Results Forecasts and Financial Results for Cumulative Second Quarter Period of Fiscal Year Ending March 2021 and Revision of (Consolidated and Non-Consolidated) Results Forecasts for Fiscal Year Ending March 2021 and Regarding Decision on (Interim) Dividend of Surplus and Revision of Fiscal Year-End Dividend Forecast” released on November 13, 2020.

3. Forecasts of consolidated operating results for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(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
Full year	234,496	4.7	26,728	(18.0)	26,433	(17.4)	18,239	(16.7)	283.11

Note: Revisions to the results forecasts most recently announced: Yes

For the revision to the results forecasts, please refer to “Notice Regarding Differences Between (Consolidated and Non-Consolidated) Results Forecasts and Financial Results for Cumulative Second Quarter Period of Fiscal Year Ending March 2021 and Revision of (Consolidated and Non-Consolidated) Results Forecasts for Fiscal Year Ending March 2021 and Regarding Decision on (Interim) Dividend of Surplus and Revision of Fiscal Year-End Dividend Forecast” released on November 13, 2020.

* 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 six 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 September 30, 2020	65,336,739 shares
As of March 31, 2020	65,198,961 shares

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

As of September 30, 2020	866,594 shares
As of March 31, 2020	870,054 shares

c. Average number of shares during the period

First six months of the fiscal year ending March 31, 2021	64,383,325 shares
First six months of the fiscal year ended March 31, 2020	62,118,478 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” (309,860 shares for the 2nd quarter of the fiscal year ending March 31, 2021 and 313,320 shares for the fiscal year ended March 31, 2020). 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” (311,864 shares for the 2nd quarter of the fiscal year ending March 31, 2021 and 313,980 shares for the 2nd quarter of the fiscal year ended March 31, 2020).

* Quarterly financial result reports 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, 2021 on page 2 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. (Japanese version only)

1. Quarterly Qualitative Information

(1) Business Results

During the first six months of the consolidated fiscal year ending March 2021, the Japanese economy plummeted due to the impact of the COVID-19 pandemic, and the business environment remained challenging. While there are signs of recovery, it is necessary to keep an eye on trends in the COVID-19 pandemic and its impact on the economy.

In the real estate industry, the interest rates on housing loans remain low while the Japanese government's ongoing measures to support homebuyers, such as mortgage tax breaks, remain on track, and people have tended to move into the center of cities seeking the convenience of urban living. Although these and other factors are supporting the demand for condominiums, we should keep an eye on the impact of the COVID-19 pandemic.

In these business circumstances, Pressance Corporation Co, Ltd. (the "Company") has focused on supplying condominiums in selected places in the central part of major cities in the Kinki, Tokai/Chukyo and Tokyo metropolitan areas, as well as other core regions including Okinawa, which are our major sales areas.

Under such business conditions, the Company posted the following consolidated performance for the first six months of the fiscal year ending March 31, 2021. Net sales amounted to 135,411 million yen (up 8.0% year on year), operating profit amounted to 18,314 million yen (down 22.6% year on year), ordinary profits amounted to 18,416 million yen (down 21.3% year on year) and profit attributable to shareholders of the parent company amounted to 12,769 million yen (down 18.5% year on year).

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

Real Estate Sale Business

In the real estate sales business, Pressance Loger Kashihara-Jingumae (114 units), a family-type condominium in the Pressance Loger series, and Pressance Shin-OSAKA J's (220 units), a Pressance series studio condominium, have performed favorably. The sales of studio condominiums amounted to 47,833 million yen (2,734 units), sales of family-type condominiums amounted to 63,079 million yen (1,756 units), sales of hotel properties amounted to 5,380 million yen (150 units), sales of other types of housing amounted to 2,125 million yen (107 units), sales of other real estate amounted to 11,869 million yen, and business accompanying real estate sales amounted to 866 million yen. Total sales of the real estate sales business posted 131,156 million yen (up 7.5% year on year) and, operating profit amounted to 17,817 million yen (down 23.5% year on year).

Starting from the first three months of the fiscal year ending March 31, 2021, "sales of condominium buildings" is included in "sales of studio condominiums."

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 and/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 4,254 million yen (up 24.1% year on year) and operating profit came to 1,251 million yen (up 11.3% year on year).

(2) Financial Position

Current Assets

Total current assets as of the end of the first six months of the fiscal year amounted to 268,761 million yen (down 9.2%), which represents a decrease of 27,305 million yen compared to the end of the previous fiscal year. This was mainly due to a decrease in inventory of 55,458 million yen, while there was an increase in cash and deposits of 29,539 million yen.

Fixed Assets

Total fixed assets as of the end of the first six months of the fiscal year amounted to 16,093 million yen (up 9.4%), which represents an increase of 1,380 million yen compared to the end of the previous fiscal year. This was mainly due to a 1,315-million-yen increase in real estate for rent as a result of the change of for-sale properties to company-owned properties.

Liabilities

Total liabilities as of the end of the first six months of the fiscal year amounted to 155,996 million yen (down 19.6%), which represents a decrease of 38,092 million yen compared to the end of the previous fiscal year. This was mainly due to a 29,723-million-yen decrease in loans payable to banks, as well as a 5,279-million-yen decrease in advances received due to the delivery of condominiums, despite a 3,522-million-yen increase in income taxes payable.

Net Assets

Total net assets as of the end of the first six months of the fiscal year amounted to 128,857 million yen (up 10.4%), which represents an increase of 12,166 million yen compared to the end of the previous fiscal year. This was principally due to the increase in retained earnings by 11,928 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 six months of the fiscal year ending March 31, 2021, totaled 71,223 million yen (up 70.9%), which represents an increase of 29,539 million yen compared to the end of the previous fiscal year.

The status and factors in each cash flow for the first six months of the fiscal year are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities came to 59,523 million yen (Compared with 7,129 million yen provided in the first six months of the previous fiscal year).

This was mainly due to cash inflow resulting from a decrease in inventories by 53,358 million yen following the delivery of condominiums and the posting of 18,679 million yen in profit before income taxes, while there were cash outflows as a result of a decrease in advances received by 5,292 million yen following the delivery of condominiums, a decrease in notes and accounts payable-trade by 4,795 million yen reflecting an increase in the settlement of electronically recorded obligations-operating, a payment of income taxes of 2,064 million yen and other factors.

Cash Flows from Investment Activities

Net cash provided by investment activities came to 471 million yen (Compared with 1,023 million yen used in the same period of previous fiscal year).

This was principally due to the inflows that resulted from sales of non-current assets of 884 million yen, while there were cash outflows resulting from loans to affiliates of 383 million yen.

Cash Flows from Financing Activities

Net cash used in financing activities came to 30,455 million yen (Compared with 4,527 million yen used in the same period of the previous fiscal year).

The decrease was mainly due to the net decrease in bank loans by 29,723 million yen and the dividend payment of 839 million yen, resulting in a decrease in capital.

(3) Explanation for the Forecast of Consolidated Financial Results ending March 31, 2021

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.

The Company had suspended full year forecasting for the fiscal year ending March 31, 2021; however, given the actual results for the first six months of the fiscal year ending March 31, 2021, we decided to release the full year results forecasts on the date of the release of this document. We also released dividends forecasts. For the details, please refer to “Notice Regarding Differences Between (Consolidated and Non-Consolidated) Results Forecasts and Financial Results for Cumulative Second Quarter Period of Fiscal Year Ending March 2021 and Revision of (Consolidated and Non-Consolidated) Results Forecasts for Fiscal Year Ending March 2021 and Regarding Decision on (Interim) Dividend of Surplus and Revision of Fiscal Year-End Dividend Forecast” released on November 13, 2020.

2. Quarterly Consolidated Financial Statements
(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	44,774	74,313
Accounts receivable - trade	142	95
Real estate for sale	27,074	19,857
Real estate for sale in process	217,964	169,816
Raw materials and supplies	293	199
Other	5,817	4,560
Allowance for doubtful accounts	-	(82)
Total current assets	296,066	268,761
Non-current assets		
Property, plant and equipment		
Real estate for rent, net	6,993	8,308
Other, net	647	586
Total property, plant and equipment	7,640	8,895
Intangible assets	254	202
Investments and other assets	6,817	6,995
Total non-current assets	14,712	16,093
Total assets	310,779	284,854
Liabilities		
Current liabilities		
Notes and accounts payable - trade	324	79
Electronically recorded obligations - operating	8,923	4,457
Short-term loans payable	1,904	4,283
Current portion of long-term loans payable	71,180	67,792
Income taxes payable	7,428	10,951
Advances received	10,788	5,508
Provision for bonuses	254	273
Other	6,514	4,672
Total current liabilities	107,318	98,017
Non-current liabilities		
Long-term loans payable	85,903	57,190
Provision for share-based payment	196	209
Other	669	579
Total non-current liabilities	86,770	57,978
Total liabilities	194,088	155,996
Net assets		
Shareholders' equity		
Capital stock	4,290	4,380
Capital surplus	5,292	5,382
Retained earnings	106,609	118,538
Treasury shares	(887)	(883)
Total shareholders' equity	115,306	127,418
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(3)
Foreign currency translation adjustment	(50)	(5)
Total accumulated other comprehensive income	(52)	(9)
Subscription rights to shares	264	286
Non-controlling interests	1,172	1,161
Total net assets	116,690	128,857
Total liabilities and net assets	310,779	284,854

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

(Millions of yen)

	First six months of the fiscal year ended March 31, 2020	First six months of the fiscal year ending March 31, 2021
Net sales	125,383	135,411
Cost of sales	90,929	107,767
Gross profit	34,453	27,643
Selling, general and administrative expenses	10,783	9,329
Operating profit	23,669	18,314
Non-operating income		
Interest income	11	1
Dividend income	0	0
Purchase discounts	0	2
Share of profit of entities accounted for using equity method	23	54
Commission fee	28	34
Penalty income	60	499
Other	60	144
Total non-operating income	186	737
Non-operating expenses		
Interest expenses	435	412
Foreign exchange losses	20	43
Provision of allowance for doubtful accounts	—	82
Commission fee	1	13
Other	0	84
Total non-operating expenses	457	635
Ordinary profit	23,398	18,416
Extraordinary income		
Gain on sales of non-current assets	—	208
Gain on reversal of share acquisition rights	—	54
Total extraordinary income	—	263
Profit before income taxes	23,398	18,679
Income taxes	7,741	5,920
Net income	15,656	12,759
(Loss) attributable to non-controlling interests	(3)	(10)
Profit attributable to owners of parent	15,660	12,769

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	First six months of the fiscal year ended March 31, 2020	First six months of the fiscal year ending March 31, 2021
Net income	15,656	12,759
Other comprehensive income		
Valuation difference on available-for-sale securities	2	(1)
Foreign currency translation adjustment	(48)	45
Share of other comprehensive income of entities accounted for using equity method	10	0
Total other comprehensive income	(36)	43
Comprehensive income	15,619	12,802
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15,623	12,812
Comprehensive income attributable to non-controlling interests	(3)	(10)

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen)

	First six months of the fiscal year ended March 31, 2020	First six months of the fiscal year ending March 31, 2021
Cash flows from operating activities		
Income before income taxes	23,398	18,679
Depreciation	239	139
Amortization of goodwill	50	50
Increase (decrease) in allowance for doubtful accounts	–	82
Interest and dividend income	(12)	(2)
Interest expenses	435	412
Foreign exchange losses (gains)	18	43
Share of (profit) loss of entities accounted for using equity method	(23)	(54)
Decrease (increase) in inventories	(8,645)	53,358
Increase (decrease) in notes and accounts payable - trade	1,153	(4,795)
Share-based remuneration expenses	60	129
Increase (decrease) in provision for bonuses	25	19
Increase (decrease) in provision for directors' retirement benefits	(623)	–
Increase (decrease) in provision for share-based payment	30	15
Loss (gain) on sales of non-current assets	–	(208)
Gain on reversal of share acquisition rights	–	(54)
Increase (decrease) in advances received	(2,911)	(5,292)
Decrease (increase) in consumption taxes refund receivable	55	170
Increase (decrease) in accrued consumption taxes	(439)	1,132
Other	143	(1,832)
Subtotal	12,954	61,991
Interest and dividend income received	12	2
Interest expenses paid	(445)	(406)
Income taxes paid	(5,391)	(2,064)
Net cash provided by (used in) operating activities	7,129	59,523
Cash flows from investing activities		
Purchase of non-current assets	(69)	–
Proceeds from sales of non-current assets	–	884
Purchase of investment securities	(1)	(1)
Payments of loans receivable from subsidiaries and associates	(454)	(383)
Payments into time deposits	(500)	–
Other	1	–
Net cash provided by (used in) investing activities	(1,023)	471
Cash flows from financing activities		
Proceeds from long-term loans payable	37,142	3,645
Repayments of long-term loans payable	(37,856)	(35,747)
Proceeds from issuance of common shares	75	116
Cash dividends paid	(1,434)	(839)
Net increase (decrease) in short-term loans payable	(2,454)	2,379
Other	–	(8)
Net cash provided by (used in) financing activities	(4,527)	(30,455)
Effect of exchange rate change on cash and cash equivalents	(3)	0
Net increase (decrease) in cash and cash equivalents	1,574	29,539
Cash and cash equivalents at beginning of period	39,400	41,684
Cash and cash equivalents at end of period	40,974	71,223

Others

(1) Actual orders

First six months of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 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	2,364	99.1	43,446	104.6	3,673	127.2	63,589	131.7
	Family-type condominiums	1,157	123.6	43,085	126.9	1,878	130.3	67,908	129.6
	Sale of hotel property	141	16.8	3,595	17.5	1,066	153.6	26,254	137.6
	Sale of other type of housing	126	315.0	2,558	467.6	44	400.0	1,200	634.0
	Sale of other real estate	—	—	1,977	1,191.1	—	—	1,000	—
Total amount of reportable segments		3,788	90.1	94,663	97.8	6,661	132.3	159,952	133.4

First six months of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020)

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	2,452	103.7	38,363	88.3	3,189	86.8	51,087	80.3
	Family-type condominiums	844	72.9	33,316	77.3	1,144	60.9	45,952	67.7
	Sale of hotel property	37	26.2	1,700	47.3	457	42.9	10,176	38.8
	Sale of other type of housing	149	118.3	3,302	129.1	85	193.2	2,406	200.6
	Sale of other real estate	—	—	9,582	484.7	—	—	2,685	268.6
Total amount of reportable segments		3,482	91.9	86,266	91.1	4,875	73.2	112,308	70.2

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. Number of units in total amount of contracts and the outstanding balance of contracts may fluctuate due to change of business plan and others.
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. Starting from the first three months of the fiscal year ending March 31, 2021, “sale of condominium building” is included in “studio condominiums.” For ease of comparison, the figures for the first six months of the fiscal year ended March 31, 2020, have been recast to conform to the current presentation.
8. Amounts of contracts for sale of other real estate in the first six months of the fiscal year ended March 31, 2020, refer to land for development (1,335 million yen) and office buildings (641 million yen). The outstanding balance of contracts refers to lands for development.
Amounts of contracts and the outstanding balance of contracts for sale of other real estate for the first six months of the fiscal year ending March 31, 2021, refer to lands for development.

(2) Actual sales

Name of segment	Category	First six months of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 30, 2019)				First six months of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020)			
		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	2,833	132.3	53,428	143.7	2,734	96.5	47,833	89.5
	Family-type condominiums	1,402	85.5	52,764	85.1	1,756	125.2	63,079	119.5
	Sale of hotel property	129	13.2	3,050	17.3	150	116.3	5,380	176.4
	Sale of other type of housing	101	273.0	1,815	374.5	107	105.9	2,125	117.0
	Sale of other real estate	—	—	10,177	6,130.8	—	—	11,869	116.6
	Business accompanying real estate sale	—	—	719	67.6	—	—	866	120.6
Total amount of reportable segments		4,465	93.1	121,955	102.9	4,747	106.3	131,156	107.5
Other		—	—	3,427	120.2	—	—	4,254	124.1
Total		4,465	93.1	125,383	103.3	4,747	106.3	135,411	108.0

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 other type of housing refers to the sale of houses other than newly built condominiums, including used houses and detached houses.
4. The sale of other real estate refers to the sale of real estate other than housing, including commercial stores and lands for development.
5. 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.
6. Sales of other real estate in the first six months of the fiscal year ended March 31, 2020, refer to lands for development (9,535 million yen) and office buildings (641 million yen).
Sales of other real estate in the first six months of the fiscal year ending March 31, 2021, refer to lands for development.
7. Starting from the first three months of the fiscal year ending March 31, 2021, “sale of condominium building” is included in “studio condominiums.” For ease of comparison, the figures for the first six months of the fiscal year ended March 31, 2020, have been recast to conform to the current presentation.