

May 14, 2020

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 <under J-GAAP>

Company name: **Pressance Corporation Co., Ltd.**
 Listing: First Section of the Tokyo Stock Exchange
 Securities code: 3254
 URL: <https://www.pressance.co.jp/>
 Representative: Yutaka Doi, President and Representative Director
 Contact: Kyosuke Ichikawa, Executive Officer, Deputy General Manager of Management Division
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Scheduled date of ordinary general meeting of shareholders: June 26, 2020
 Scheduled date of start of dividend payment: June 29, 2020
 Scheduled date of filing of annual securities report: June 29, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results presentation meeting: None

(Amounts less than one million yen have been omitted.)

1. Consolidated operating results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	224,011	39.5	32,609	20.2	31,985	20.6	21,892	19.7
Fiscal year ended March 31, 2019	160,580	19.8	27,118	33.2	26,531	33.6	18,296	33.0

Note: Comprehensive income Fiscal year ended March 31, 2020: 21,801 million yen [19.1%]
 Fiscal year ended March 31, 2019: 18,304 million yen [32.9%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2020	347.45	340.18	21.1	10.4	14.6
Fiscal year ended March 31, 2019	296.43	285.09	22.1	9.7	16.9

Reference: Share of profit (loss) of entities accounted for using equity method
 Fiscal year ended March 31, 2020: (0) million yen
 Fiscal year ended March 31, 2019: (43) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	310,779	116,690	37.1	1,791.63
As of March 31, 2019	301,942	94,618	30.7	1,493.54

Reference: Equity
 As of March 31, 2020: 115,253 million yen
 As of March 31, 2019: 92,715 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
As of March 31, 2020	23,180	(1,837)	(19,059)	41,684
As of March 31, 2019	(24,480)	(2,192)	36,735	39,400

2. Dividends

	Annual dividends per share					Total cash dividends (Full-year)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Annual total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	–	17.50	–	23.00	40.50	2,524	13.7	3.0
Fiscal year ended March 31, 2020	–	26.00	–	13.00	39.00	2,465	11.2	2.4
Fiscal year ending March 31, 2021 (Forecast)	–	–	–	–	–	–	–	–

Note: According to the Article of Incorporation of the Company, the record dates for dividends are the end of the second quarter and the end of the fiscal year; however, at the time of the release of this document, the dividend forecast amounts for these record dates have yet to be determined. At the point when disclosure becomes possible, the Company will promptly release the amount of the interim and year-end dividends for the fiscal year ending March 31, 2021

3. Consolidated results forecasts 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
Half year	102,288	(18.4)	16,080	(32.1)	15,469	(33.9)	10,665	(31.9)	165.79
Full year	–	–	–	–	–	–	–	–	–

Note: The impact of the COVID-19 outbreak is reflected in the consolidated results forecasts for the first half of the fiscal year ending March 31, 2021 based on the information available to the Company at the time of disclosure; however, the forecasts may change substantially. For the full fiscal year ending March 31, 2021, the consolidated results forecasts are not provided given that, at the time of disclosure, it is difficult to rationally estimate the impact of the future influence of the virus outbreak and the timing of when the epidemic will dissipate. At the point when estimation becomes possible, the Company will promptly release the full year forecasts.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) 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
- (3) Number of issued shares (common stock)
 - a. Number of issued shares at end of period (including treasury shares)

As of March 31, 2020	65,198,961 shares
As of March 31, 2019	62,941,385 shares

- b. Number of treasury shares at end of period

As of March 31, 2020	870,054 shares
As of March 31, 2019	863,744 shares

c. Average number of shares during the period

Fiscal year ended March 31, 2020	63,008,052 shares
Fiscal year ended March 31, 2019	61,722,251 shares

***Notes**

Due to the introduction of the share-based payment type ESOP, certain number of shares of the Company held by the trust account are included in the “Number of treasury shares at end of period” (313,320 shares for the fiscal year ended March 31, 2020, and 313,980 shares for the fiscal year ended March 31,2019) and certain number of shares are included in the treasury shares that were deducted in the calculation of the “Average number of outstanding shares during the period” (313,706 shares for the fiscal year ended March 31, 2020 and 313,980 shares for the fiscal year ended March 31,2019).

* Financial results reports are not required to be audited

* Explanation related to the appropriate use of the results forecasts and other items warranting special mention

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 rational 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. Business Results (4) Future Outlook” on page 5 of the attachment.

Although the amounts of accounts and other items reported in our consolidated financial statements were previously shown in thousands of yen, they are shown in millions of yen from the consolidated fiscal year ended March 31, 2020. The figures for the previous consolidated fiscal year are also shown in millions of yen for easy comparison.

1. Business Results and Financial Position

(1) Business Results

During the consolidated fiscal year under review, the Japanese economy was on a gradual recovery track as consumer spending was fueled by improving income and employment opportunities. However, due to the impact of the COVID-19 pandemic that broke out after the beginning of this year, the outlook is uncertain, and the business environment is challenging.

In the real estate industry, in addition to mounting construction costs, publicly assessed land values rise in Japan's three largest cities of Tokyo, Osaka, and Nagoya as well as in other large cities. Although this and other factors remain causes for concern, the interest rates on housing loans remain low while the Japanese government's ongoing measures to help homebuyers, such as a mortgage tax breaks, are still on track, contributing to a stable economy. The demand for condominiums in these areas was solid as more people tended to move into the center of cities seeking the convenience of urban living.

With the result of business operation above, the Company posted the following consolidated performance for the fiscal year ended March 31, 2020, net sales amounted to 224,010 million yen (up 39.5% year on year), operating profit amounted to 32,609 million yen (up 20.2% year on year), ordinary profit amounted to 31,985 million yen (up 20.6% year on year) and profit attributable to owners of parent amounted to 21,892 million yen (up 19.7% year on year), unaffected by the spread of the COVID-19.

In December 2019, the former President & Representative Director and a former employee of the Company were arrested and indicted by the Special Investigation Department of the Osaka District Public Prosecutors Office on suspicion of conspiring with the former President of Meijo Gakuin, an incorporated educational institution (hereinafter referred to as "Meijo Gakuin"), and others in connection with an embezzlement case involving payments for land sales concerning Meijo Gakuin. We would like to offer our deepest apologies to our shareholders and investors for causing trouble and concern.

On December 23, 2019, the Company established the External Management Reform Committee (hereinafter referred to as the "Committee"), composed of outside experts with no vested interest in the Company, to investigate and verify issues related to governance, and on March 31, 2020, we received a report on the investigation. Based on the recommendations made by the Committee, we will make sure to enhance governance and implement measures to prevent recurrence as well as reinforce compliance in our efforts to regain the public's trust.

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

Real Estate Sale Business

The real estate sale business enjoyed favorable sales of condominium units such as Pressance Loger Ogaki Ekimae, a 137-unit condominium designed for families, and Pressance THE Kobe, a condominium featuring 235 studio units. With the result of business operation above, sales of studio condominium amounted to 67,255 million yen (3,479 rooms), sale of family-type condominium amounted to 78,587 million yen (2,109 rooms), sale of condominium building amounted 27,299 million yen (1,532 rooms), sale of hotel property amounted to 19,292 million yen (793 rooms), sale of other type of housing amounted to 4,726 million yen (248 rooms), sale of other real estate amounted to 18,364 million yen, business accompanying real estate sale amounted to 1,158 million yen. Total sales of real estate sale business posted 216,684 million yen (up 39.8% year on year), and segment profit amounted to 32,792 million yen (up 23.3% year on year).

Other Business

The sales of other business, such as the Rental housing business and the Real estate management fee business, amounted to 7,327 million yen (up 32.4% year on year) due to an increase in rents revenue with an increase in guaranteed rent properties, while segment profit amounted to 1,455 million yen (down 16.9% year on year) due to an increase in rent payments related to rent guarantees.

(2) Analysis on Financial Position

Current Assets

Total current assets as of the end of this consolidated reporting fiscal year amounted to 296,066 million yen (up 5.5% year on year), increased by 15,475 million yen. This was mainly due to a 10,148-million

yen increase in inventory as a result of acquiring lands for condominium development and repositioning of properties from real estate for rent to real estate for sale.

Non-current Assets

Total non-current assets as of the end of this consolidated reporting fiscal year decreased by 6,638 million yen and amounted to 14,712 million yen (down 31.1% year on year). This was largely due to a decrease of 8,258 million yen in real estate for rent as a result of transferring of 8,555 million yen from the real estate for rent to the real estate for sale after 12 condominium buildings, such as Pressance Koze Koen Dio, were repositioned as properties for sale from rental properties.

Liabilities

Total liabilities as of the end of this consolidated reporting fiscal year amounted to 194,088 million yen (down 6.4% year on year), decreased by 13,234 million yen. This was mainly due to a decrease in loans payable by 15,598 million yen as a result of actively reducing interest-bearing debts.

Net Assets

Total net assets as of the end of this consolidated reporting fiscal year amounted to 116,690 million yen (up 23.3% year on year), increased by 22,071 million yen. This was principally due to the increase in retained earnings by 18,832 million yen because of the posting of profit attributable to owners of parent.

(3) Analysis on Cash Flows

Cash and cash equivalents as of the end of the fiscal year ended March 31, 2020, totaled 41,684 million yen (up 5.8% year on year), increased by 2,283 million yen.

The state of and factors in each cash flow of the fiscal year are as follows:

Cash Flows from Operating Activities

Net cash provided by operating activities came to 23,180 million yen (Compared with 24,480 million yen used in the previous fiscal year).

This was mainly due to cash inflow resulting from the posting of profit before income taxes amounting to 31,985 million yen, while there were cash outflows as a result of acquiring land for development, etc., which increased inventories by 2,515 million yen, as well as a payment of income taxes totaling 9,592 million yen.

Cash Flows from Investment Activities

Net cash used in investment activities came to 1,837 million yen (Compared with 2,192 million yen used in the previous fiscal year).

This was primarily due to cash outflow that resulted from loans to subsidiaries and associates totaling 1,372 million yen.

Cash Flows from Financing Activities

Net cash used in financing activities came to 19,059 million yen (Compared with 36,735 million yen provided in the previous fiscal year).

The main reason for this was cash outflow resulting from net decrease in loans payable to bank by 15,598 million yen.

(4) Future Outlook

With respect to the results forecasts, it is difficult to foresee the magnitude of the impacts caused by the COVID-19 outbreak and the timing of when the epidemic will dissipate, and uncertainty is clouding the economic and market outlook. Under such circumstances, it is difficult to rationally estimate the results forecasts. Therefore, the Company decided to suspend full year forecasting for the fiscal year ending March 31, 2021 but will announce forecasts limited to the first half of the year, for which we can obtain a relatively clearer picture. At the point when the estimation becomes possible, we will promptly release the results forecasts for the full fiscal year.

In addition, as we stated in “Notice on Capital and Business Alliance Agreement of Open House Co., Ltd.

and Pressance Corporation Co., Ltd.” dated April 6, 2020, the Company signed a capital and business alliance agreement with Open House Co., Ltd. (hereinafter, “Open House”) on the same day. Credit support from Open House will quickly dispel the concerns of our customers, shareholders, employees, business partners and related parties, and combining the management resources and management know-how of both companies will create business synergy, such as mutually complementary geographical coverage and expansion of merchandise lineups, which will help us to achieve further enhancement and expansion of our business.

(5) Basic Policy on Profit Distribution, Dividend for the Current and Next Fiscal Years

The Company has always considered returning profits to shareholders to be a top priority. With respect to our dividend policy, as we stated in “Revision of Year-end Dividend Forecast for the Fiscal Year Ended March 31, 2020 and Withdrawal of Dividend Policy” announced on the date of the release of this document, the Company withdrew its previous dividend policy and numerical targets.

For the year ended March 31, 2020, the Company plans to pay out a year-end dividend of 13 yen per share, annual total of which to be 39 yen per share for the full year, adding an interim dividend per share. For the next fiscal year ending March 31, 2021, the interim and year-end dividends have yet to be determined, given that it is not possible to foresee the full year results. At the point when disclosure becomes possible, the Company will promptly release the dividend forecasts.

2. Basic Approach to the Selection of Accounting Standards

The Group prepares consolidated financial statements with Japanese accounting standards. The Group intends to continue examining the application of international accounting standards with considering situations both in Japan and abroad.

Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	41,990	44,774
Accounts receivable - trade	64	142
Real estate for sale	9,603	27,074
Real estate for sale in process	225,302	217,964
Raw materials and supplies	278	293
Other	3,352	5,817
Total current assets	280,591	296,066
Non-current assets		
Property, plant and equipment		
Buildings and structures	390	437
Accumulated depreciation	(157)	(192)
Buildings and structures, net	232	245
Real estate for rent	16,220	7,596
Accumulated depreciation	(969)	(603)
Real estate for rent, net	15,251	6,993
Land	271	271
Other	284	344
Accumulated depreciation	(191)	(214)
Other, net	92	129
Total property, plant and equipment	15,848	7,640
Intangible assets	332	254
Investments and other assets		
Investment securities	73	71
Long-term loans receivable	35	51
Long-term loans receivable from subsidiaries and associates	2,460	3,193
Deferred tax assets	1,584	2,472
Other	1,016	1,027
Total investments and other assets	5,170	6,817
Total non-current assets	21,350	14,712
Total assets	301,942	310,779

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	117	324
Electronically recorded obligations - operating	7,085	8,923
Short-term loans payable	9,920	1,904
Current portion of long-term loans payable	44,547	71,108
Income taxes payable	5,417	7,428
Advances received	11,503	10,788
Provision for bonuses	218	254
Other	4,106	6,514
Total current liabilities	82,916	107,318
Non-current liabilities		
Bonds with share acquisition rights	3,500	-
Long-term loans payable	120,119	85,903
Provision for directors' retirement benefits	623	-
Provision for share-based payment	146	196
Other	17	669
Total non-current liabilities	124,407	86,770
Total liabilities	207,323	194,088
Net assets		
Shareholders' equity		
Capital stock	2,404	4,290
Capital surplus	3,406	5,292
Retained earnings	87,777	106,609
Treasury shares	(887)	(887)
Total shareholders' equity	92,699	115,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Foreign currency translation adjustment	15	(50)
Total accumulated other comprehensive income	15	(52)
Subscription rights to shares	123	264
Non-controlling interests	1,779	1,172
Total net assets	94,618	116,690
Total liabilities and net assets	301,942	310,779

(2) Consolidated statements of income and comprehensive income
Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	160,580	224,011
Cost of sales	116,378	170,886
Gross profit	44,201	53,124
Selling, general and administrative expenses		
Sales commission	6,745	8,579
Advertising expenses	565	619
Directors' compensations	623	598
Salaries and allowances	4,798	4,871
Bonuses	247	323
Provision for bonuses	210	211
Retirement benefit expenses	51	61
Provision for directors' retirement benefits	54	13
Provision for share-based payment	56	51
Depreciation	87	98
Other	3,642	5,086
Total selling, general and administrative expenses	17,082	20,515
Operating profit	27,118	32,609
Non-operating income		
Interest income	3	15
Dividend income	1	1
Purchase discounts	0	0
Foreign exchange gains	101	2
Commission fee	57	43
Penalty income	69	153
Real estate acquisition tax refund	17	38
Other	57	77
Total non-operating income	309	333
Non-operating expenses		
Interest expenses	745	941
Share of loss of entities accounted for using equity method	43	0
Commission fee	93	6
Other	13	8
Total non-operating expenses	896	957
Ordinary profit	26,531	31,985
Extraordinary income		
Gain on sales of non-current assets	3	-
Total extraordinary income	3	-
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	3	-
Total extraordinary losses	4	-
Profit before income taxes	26,530	31,985
Income taxes - current	8,493	11,003
Income taxes - deferred	(255)	(887)
Total income taxes	8,238	10,115
Net income	18,292	21,869
Profit (Loss) attributable to non-controlling interests	(3)	(23)
Profit attributable to owners of parent	18,296	21,892

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	18,292	21,869
Other comprehensive income		
Valuation difference on available-for-sale securities	(6)	(2)
Foreign currency translation adjustment	4	(48)
Share of other comprehensive income of entities accounted for using equity method	14	(17)
Total other comprehensive income	11	(68)
Comprehensive income	18,304	21,801
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	18,308	21,824
Comprehensive income attributable to non-controlling interests	(3)	(23)

(3) Consolidated statements of changes in equity**Fiscal year ended March 31, 2019**

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,973	2,113	71,588	(2,471)	73,204
Changes of items during period					
Issuance of new shares	430	430			860
Dividends of surplus			(2,108)		(2,108)
Profit attributable to owners of parent			18,296		18,296
Disposal of treasury shares		862		1,584	2,446
Net changes of items other than shareholders' equity					
Total changes of items during period	430	1,292	16,188	1,584	19,494
Balance at end of current period	2,404	3,406	87,777	(887)	92,699

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	6	(2)	4	180	1,783	75,172
Changes of items during period						
Issuance of new shares						860
Dividends of surplus						(2,108)
Profit attributable to owners of parent						18,296
Disposal of treasury shares						2,446
Net changes of items other than shareholders' equity	(6)	18	11	(56)	(3)	(48)
Total changes of items during period	(6)	18	11	(56)	(3)	19,446
Balance at end of current period	0	15	15	123	1,779	94,618

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,404	3,406	87,777	(887)	92,699
Changes of items during period					
Issuance of new shares	1,886	1,886			3,773
Dividends of surplus			(3,059)		(3,059)
Profit attributable to owners of parent			21,892		21,892
Disposal of treasury shares				0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	1,886	1,886	18,832	0	22,606
Balance at end of current period	4,290	5,292	106,609	(887)	115,306

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	0	15	15	123	1,779	94,618
Changes of items during period						
Issuance of new shares						3,773
Dividends of surplus						(3,059)
Profit attributable to owners of parent						21,892
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	(2)	(66)	(68)	140	(607)	(534)
Total changes of items during period	(2)	(66)	(68)	140	(607)	22,071
Balance at end of current period	(1)	(50)	(52)	264	1,172	116,690

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from operating activities		
Income before income taxes	26,530	31,985
Depreciation	471	471
Amortization of goodwill	100	100
Interest and dividend income	(4)	(16)
Interest expenses	745	941
Foreign exchange losses (gains)	(100)	(2)
Share of (profit) loss of entities accounted for using equity method	43	0
Decrease (increase) in inventories	(44,820)	(2,515)
Increase (decrease) in notes and accounts payable - trade	532	2,392
Share-based compensation expenses	-	215
Increase (decrease) in provision for bonuses	48	36
Increase (decrease) in provision for directors' retirement benefits	54	(623)
Loss (gain) on sales of non-current assets	(2)	-
Loss on retirement of non-current assets	3	-
Increase (decrease) in advances received	(1,005)	(718)
Decrease (increase) in consumption taxes refund receivable	789	(238)
Increase (decrease) in accrued consumption taxes	526	(465)
Increase (decrease) in provision for share-based payment	56	50
Other	(356)	2,052
Subtotal	(16,388)	33,665
Interest and dividend income received	4	16
Interest expenses paid	(794)	(909)
Income taxes paid	(7,302)	(9,592)
Net cash provided by (used in) operating activities	(24,480)	23,180
Cash flows from investing activities		
Purchase of non-current assets	(147)	(187)
Proceeds from sales of non-current assets	15	225
Purchase of investment securities	(2)	(2)
Proceeds from sales of investment securities	0	0
Payments of loans receivable from subsidiaries and associates	(1,074)	(1,372)
Payments for investments in capital of subsidiaries and associates	(455)	-
Payments into time deposits	(530)	(684)
Proceeds from withdrawal of time deposit	-	184
Net cash provided by (used in) investing activities	(2,192)	(1,837)

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Cash flows from financing activities		
Proceeds from long-term loans payable	88,142	47,743
Repayments of long-term loans payable	(51,604)	(55,325)
Proceeds from issuance of common shares	303	182
Cash dividends paid	(2,106)	(3,058)
Net increase (decrease) in short-term loans payable	1,954	(8,016)
Repayments to non-controlling shareholders	-	(584)
Proceeds from disposal of treasury shares	46	-
Net cash provided by (used in) financing activities	36,735	(19,059)
Effect of exchange rate change on cash and cash equivalents	23	(0)
Net increase (decrease) in cash and cash equivalents	10,085	2,283
Cash and cash equivalents at beginning of period	29,314	39,400
Cash and cash equivalents at end of period	39,400	41,684

(Important Subsequent Events)

At the Board of Directors meeting held on April 6, 2020, the Company passed a resolution to enter into a capital and business alliance with Open House Co., Ltd. (hereinafter, "Open House") and signed the capital and business alliance agreement on the same day.

1. Purpose of the capital and business alliance agreement

The Company concluded that this capital and business alliance will help maximize the benefits of both companies, their customers, shareholders, employees, business partners, and related parties as the credit support from Open House will quickly dispel the concerns of our customers, shareholders, employees, business partners and related parties, and combining the management resources and management know-how of both companies will create business synergy, such as mutually complementary geographical coverage and expansion of merchandise lineups.

2. Details of the capital and business alliance agreement

(1) Details of the business alliance

The details of the business alliance will be determined through further discussion between Open House and the Company. At this stage, the following are the presumed targets of the business alliance.

- a. Complementary geographical coverage
- b. Complementary merchandise lineups
- c. Administration and management of real estate for rent/sale
- d. Cost cutting

(2) Details of the capital alliance

On May 8, 2020, Open House purchased 20,621,100 shares (voting right ownership percentage: about 31.91%) of the Company's common stock from our two major shareholders and made the Company its associate accounted for using the equity method.

3. Overview of the counterparty

- (1) Name: Open House Co., Ltd.
- (2) Address: 2-4-1, Marunouchi, Chiyoda-ku, Tokyo
- (3) Position and name of representative: Masaaki Arai, President and CEO
- (4) Business: Business related to detached houses, condominium business, income property business, and other business
- (5) Capital stock: 4,242 million yen (as of December 31, 2019)

Others

(1) Orders and sales

a. Actual orders

Fiscal year ended March 31, 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	3,099	127.3	60,050	138.4	2,238	149.0	44,142	162.9
	Family condominiums	2,057	105.6	74,556	102.5	2,123	99.0	77,588	96.5
	Sale of condominium building	1,644	133.8	25,092	134.3	1,904	167.0	29,428	175.2
	Sale of hotel property	1,200	224.7	27,225	262.0	1,054	126.4	25,708	159.6
	Sale of other type of housing	109	126.7	1,839	87.9	19	237.5	457	360.1
	Sale of other real estate	-	-	10,629	346.7	-	-	9,200	-
Total amount of reportable segments		8,109	130.1	199,395	132.6	7,338	130.4	186,525	132.7

Fiscal year ended March 31, 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	2,464	79.5	45,870	76.4	1,223	54.6	22,757	51.6
	Family condominiums	2,043	99.3	76,714	102.9	2,057	96.9	75,715	97.6
	Sale of condominium building	1,876	114.1	35,670	142.2	2,248	118.1	37,799	128.4
	Sale of hotel property	309	25.8	7,440	27.3	570	54.1	13,856	53.9
	Sale of other type of housing	272	249.5	5,498	299.0	43	226.3	1,229	269.0
	Sale of other real estate	-	-	14,137	133.0	-	-	4,973	54.1
Total amount of reportable segments		6,964	85.9	185,332	92.9	6,141	83.7	156,331	83.8

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, including used houses and detached houses, other than newly built condominiums.
6. The sale of other real estate refers to the sale of real estate, including commercial stores and sites for development, other than housing.
7. Total amount of contracts and the outstanding balance of contracts of other real estate in the fiscal years ended March 31, 2019 and 2020 refer to lands for development.
8. Number of rooms in total amount of contracts and the outstanding balance of contracts may fluctuate due to change of business plan.
9. Business segments which are not included in the reportable segments are not applicable.

b. Actual sales

Name of segment	Category	FY ended March 31, 2019 (from April 1, 2018 to March 31, 2019)				FY ended March 31, 2020 (from April 1, 2019 to March 31, 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	2,363	136.9	43,011	144.8	3,479	147.2	67,255	156.4
	Family condominiums	2,078	111.7	77,375	108.7	2,109	101.5	78,587	101.6
	Sale of condominium building	880	70.6	12,459	64.5	1,532	174.1	27,299	219.1
	Sale of hotel property	980	535.5	17,625	642.3	793	80.9	19,292	109.5
	Sale of other type of housing	98	115.3	1,509	69.1	248	253.1	4,726	313.2
	Sale of other real estate	-	-	1,429	46.6	-	-	18,364	1,284.4
	Business accompanying real estate sale	-	-	1,633	128.0	-	-	1,158	70.9
Total amount of reportable segments		6,399	125.4	155,044	119.8	8,161	127.5	216,684	139.8
Other		-	-	5,535	120.1	-	-	7,327	132.4
Total		6,399	125.4	160,580	119.8	8,161	127.5	224,011	139.5

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, including used houses and detached houses, other than newly built condominiums.
5. The sale of other real estate refers to the sale of real estate, including commercial stores and lands for development, other than housing
6. Business accompanying real estate sales include fees for optional post-delivery work, such as floor coating, and agent commissions for real estate sales.
7. The net sales for sale of other real estate in the fiscal years ended March 31, 2019 and 2020 refers to lands for development.