



Closing Announcement of First Quarter of the Fiscal Year Ending March 31, 2020 [Japanese Standards] (Consolidated)

August 9, 2019

Name of Listed Company: Prospect Co., Ltd. Listed on the Tokyo Stock Exchange
 Code No.: 3528 URL: <http://www.prospectjapan.co.jp>
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 Scheduled Date of Submitting Quarterly Report: August 9, 2019
 Scheduled Date of Commencement of Dividend Payment: -
 Whether supplementary explanation materials for the quarterly closing are prepared: Yes
 Whether explanation meeting is held for the quarterly closing: No

(Indicated by rounding off an amount less than 1 million yen)

1. Consolidated Results for First Quarter of Fiscal Year Ending March 31, 2020 (From April 1, 2019 to June 30, 2020)

(1) Consolidated Operating Results (cumulative) (% indicates the rate of increase or decrease from the same quarter of the previous year.)

	Sales		Operating profit		Ordinary profit		Net profit attributable to owners of the parent	
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%
First Quarter of the Fiscal Year Ending March 31, 2020	323	△82.5	△839	-	△18	-	27	-
First Quarter of the Fiscal Year Ended March 31, 2019	1,843	11.8	△749		△557	-	△599	-

(Note) First Quarter of Fiscal Year Ending March 31, 2020: △1 (million yen) (-%) First Quarter of Fiscal Year Ended March 31, 2019: △1,542 (million yen) (-%)
 Comprehensive income:

	Net profit per share	Fully diluted net profit per share
	(yen, sen)	(yen, sen)
First Quarter of the Fiscal Year Ending March 31, 2020	0.06	-
First Quarter of the Fiscal Year Ended March 31, 2019	△1.36	-

(2) Consolidated Financial Condition

	Total assets	Net asset	Net worth ratio	Net asset per share
	(million yen)	(million yen)	%	(yen, sen)
First Quarter of the Fiscal Year Ending March 31, 2020	32,923	16,586	48.8	36.14
Fiscal Year Ended March 31, 2019	31,754	16,738	50.7	36.23

(Reference) Net worth: First Quarter of Fiscal Year Ending March 31, 2020: 16,055 (million yen) Fiscal Year Ended March 31, 2019: 16,096 (million yen)

2. Status of Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of period	Total
	(yen, sen)	(yen, sen)	(yen, sen)	(yen, sen)	(yen, sen)
Fiscal Year Ended March 31, 2019	-	-	-	-	-
Fiscal Year Ending March 31, 2020	-				
Fiscal Year Ending March 31, 2020 (Forecast)		-	-	1.00	1.00

(Note) Existence of adjustment of the dividend forecast most recently announced: Yes
 Please refer to today's announcement "Notice Regarding Revision of Dividend Forecast".

3. Expected Consolidated Results for Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

The Company Group constantly works on promising businesses, regardless of the existing business content, and proactively adopts M&A as a strategy to diversify. As these businesses tend to be significantly affected by changes in economic conditions and market environments, it is extremely difficult to properly forecast and disclose ordinary business results. As there is a risk of misleading investors, etc., in disclosing business results forecast under such circumstances, the Company Group has adopted a policy to make timely disclosures of closing business results and a summary of business to be conducted on a quarterly basis, and not to disclose a forecast of consolidated business results.

* Precautions

- (1) Changes in material subsidiaries in the current consolidated cumulative quarter (changes in the specified subsidiaries accompanying changes in the scope of consolidation): None
 New: --- (Company Name: _____), Exclusion: --- (Company Name: _____)
- (2) Application of accounting particular to preparation of Consolidated Quarterly Financial Statements: None
- (3) Changes in accounting policy, changes in accounting estimate and restatement
 [1] Changes in accounting policy in connection with the amendment of accounting standards, etc.: None
 [2] Changes in accounting policy other than [1] above: None
 [3] Changes in accounting estimate: None
 [4] Restatement: None

(4) Number of outstanding shares (common stocks)

[1] Number of outstanding shares at the end of term (including treasury stocks):	1Q of the Fiscal Year Ending March 31, 2020:	447,090,984 shares	Fiscal Year Ended March 31, 2019:	447,090,984 shares
[2] Number of treasury stocks at the end of term:	1Q of the Fiscal Year Ending March 31, 2020:	2,780,118 shares	Fiscal Year Ended March 31, 2019:	2,780,118 shares
[3] Average number of shares during the term (cumulative quarter):	1Q of the Fiscal Year Ending March 31, 2020:	444,310,866 shares	1Q of the Fiscal Year Ended March 31, 2019:	440,648,928 shares

* The quarterly closing announcement is not subject to quarterly review by a certified public accountant or an audit corporation.

* Explanation about Appropriate Use of the Forecast of Business Results and other Matters to be Noted

(Matters to be Noted for Statement about the Future, etc.)

The forward-looking statements in this document, such as forecasts of business results stated in this material, are based on information that the Company currently has and certain assumptions that the Company deems to be reasonable, and does not make assurances of the achievement thereof by the Company. Furthermore, actual results, etc., may significantly differ from forecasts depending on various factors. For the conditions constituting the preconditions of business results forecasts and the matters to be noted in using the forecasts, etc., refer to "1. Qualitative Information of the Current Quarterly Closing (3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results" on page 3 of the attached materials.

(How to obtain supplementary explanation materials)

Supplementary explanation materials are disclosed simultaneously on TDnet.

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1. Qualitative Information of the Current Quarterly Closing

(1) Explanation about Business Results

During the Current Consolidated Cumulative 1st Quarter, the Japanese economy has continued along a moderate recovery path as a whole due to continued improvement in personal consumption against the backdrop of improvements in employment and the income environment. On the other hand, while concerns remain regarding the impact of trade issues on the global economy, continued attention is being paid to the future of the Chinese economy, overseas economic trends and policy uncertainties, and the effects of changes in financial capital markets, and other matters.

Under this business environment, in the “Asset Management Business” a valuation loss (557 million yen) was recorded in sales due to a decline in the market capitalization of securities held by Prospect Japan Fund Limited. At the Board of Directors meeting held on May 15, 2019, it was decided that the subsidiary would be dissolved and liquidated, and that the Company would directly hold its securities and withdraw from the asset management business. Accordingly, the purpose of holding the securities will be changed from trading securities to other securities. Valuation differences after transfer to other securities are recorded in the net assets section of the consolidated balance sheet. The transfer due to the change in the purpose of holding the securities will be in the 2nd Quarter of the consolidated fiscal period because there is a difference between the consolidated settlement date and the settlement date of the subsidiary.

In the previous consolidated fiscal year, the Company Group transferred all shares the Company held in its consolidated subsidiary, which had been engaged in the “Construction Business” segment, and excluded the company from the scope of consolidation on March 31, 2019, and, therefore, the construction business segment was abolished as of the 1st Quarter of the current fiscal year.

As a result of the above, the Company Group's sales for the 1st Quarter of the fiscal year ending March 2020 were 323 million yen (1,843 million yen in the same quarter in the previous year), with an operating loss of 839 million yen (749 million yen in the same quarter in the previous year), an ordinary loss of 18 million yen (557 million yen in the same quarter in the previous year), and profit attributable to owners of parent of 27 million yen (net loss attributable to owners of parent of 599 million yen in the same quarter of the previous year).

Business results by segment were as follows

[1] Real Estate Sales Business, Condominium Sales Business

We engage in construction and sales of “GRO-BEL Condominium” developed by the Company, mainly in the Tokyo Metropolitan Area.

In the Current Consolidated Cumulative 1st Quarter, we executed new contracts on 15 housing units at 726 million yen (26 housing units at 1,066 million yen in the same quarter in the previous year), delivered 12 housing units and recorded sales of 465 million yen and a segment loss of 17 million yen (21 housing units for sales of 864 million yen and a segment profit of 10 million yen in the same quarter in the previous year).

[2] Real Estate Sales Business, Land and Buildings

We focus our sales on residential land and detached homes as well as individual buildings.

In the Current Consolidated Cumulative 1st Quarter, no contracts or sales results were recorded (no contracts or sales results in the same quarter in the previous year).

[3] Real Estate Sales Business, Custom-Built Homes

We undertake contract construction and reform construction for detached homes, etc., in Yamagata Prefecture as a main business area.

In the Current Consolidated Cumulative 1st Quarter, we executed new contracts on 10 buildings of 278 million yen (17 buildings of 521 million yen in the same quarter of the previous year), and delivered 4 buildings and recorded sales of 152 million and a segment loss of 57 million yen (2 buildings, sales of 147 million yen and segment loss of 47 million yen in the same quarter in the previous year) (including reforms, etc.).

[4] Asset Management Business

We engage in the research and management business of Japanese stocks, real estate investment advisory agency business and real estate investments.

In the Current Consolidated Cumulative 1st Quarter, we recorded sales of Δ 511 million yen and a segment loss of 569

million yen (sales of minus Δ 355 million yen and segment loss of 436 million yen in the same quarter in the previous year).

[5] Renewable Energy Business

We conduct sales of electricity generated by photovoltaic power, development of power plants and biomass related business, etc.

In the Current Consolidated Cumulative 1st Quarter, we recorded sales of 212 million yen and segment profit of 64 million yen (sales of 169 million yen and segment profit of 42 million yen in the same quarter in the previous year).

[6] Other

Mainly as a real estate lease business, we lease condominiums, etc., owned by the Company.

In the Current Consolidated Cumulative 1st Quarter, we recorded sales of 3 million yen and segment profit of 1 million yen (sales of 8 million yen and segment profit of 1 million yen in the same quarter in the previous year).

(2) Explanation about Financial Conditions

Total assets at the end of the Current Consolidated 1st Quarter were 32,923 million yen, an increase of 1,168 million yen compared with the end of the previous consolidated fiscal year. This was mainly due to an increase in property, plants and equipment that came with the progress of solar power plant construction in the renewable energy business.

Liabilities at the end of the Current Consolidated 1st Quarter were 16,336 million yen, an increase of 1,320 million yen compared with the end of the previous consolidated fiscal year. This was due to an increase in borrowings accompanying the procurement of construction funds for solar power plants in the renewable energy business.

Net assets at the end of the Current Consolidated 1st Quarter were 16,586 million yen, a decrease of 152 million yen compared with the end of the previous consolidated fiscal year. This was due a decrease in non-controlling interests resulting from the exclusion of certain consolidated subsidiaries from the scope of consolidation, and changes in foreign currency exchange adjustments.

(3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results

With regard to the outlook for the future, the economic environment is improving in anticipation of the expansion of various economic policies and special demand, such as the Rugby World Cup and the Tokyo Olympics. On the other hand, unpredictable conditions remain, such as concerns about the upcoming consumption tax increase and the impact of trade friction between the United States and China, and Japan and Korea, on the global economy.

Under such circumstances, the Company Group constantly works on promising businesses, regardless of the existing business content, and proactively adopts M&A as a strategy to diversify. As these businesses tend to be significantly affected by changes in economic conditions and market environments, it is extremely difficult to properly forecast and disclose ordinary business results. As there is a risk of misleading investors, etc., in disclosing business results forecast under such circumstances, the Company Group has adopted a policy to make timely disclosures of closing business results and a summary of business to be conducted on a quarterly basis, and will not disclose a forecast of the sales and profit forecasts for the fiscal year ending March 2020.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Financial Statements

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (March 31, 2019)	Current Consolidated 1st Quarter (June 30, 2019)
Assets		
Current Assets		
Cash and deposits	5,049,760	3,804,086
Notes and accounts receivable	130,663	139,571
Accounts receivable for completed construction projects	21,087	3,947
Accounts receivable for investment advisory fees	2,511	2,499
Securities	7,800,080	7,168,495
Real estate for sale	1,263,907	1,065,732
Real estate for sale in process	2,409,079	2,559,032
Real estate for development	442,704	636,467
Expenses for uncompleted construction projects	55,122	279,094
Raw materials and stores	4,550	5,887
Other	502,703	1,010,908
Allowance for doubtful accounts	△1,122	△65,889
Total Current Assets	17,680,419	16,609,834
Fixed Assets		
Tangible fixed assets		
Buildings (net)	192,591	256,938
Machinery, equipment and delivery equipment (net)	3,764,366	6,136,099
Tools, furniture and fixtures (net)	3,849	4,286
Land	994,538	854,376
Leased assets (net)	2,860	4,498
Construction in progress	4,918,480	4,356,808
Total Tangible Fixed Assets	9,876,685	11,613,008
Intangible fixed assets		
Goodwill	4,929	3,719
Software	2,993	2,825
Other	178,631	176,232
Total Intangible Fixed Assets	186,554	182,777
Investments and other assets		
Investment securities	230,517	279,029
Investment in capital	1,368,009	1,705,432
Long-term loans	2,365,201	1,914,361
Deferred tax assets	105,450	93,540
Other	697,622	720,287
Allowance for doubtful accounts	△755,660	△194,909
Total Investments and Other Assets	4,011,141	4,517,742
Total Fixed Assets	14,074,381	16,313,527
Total Assets	31,754,801	32,923,361

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (March 31, 2019)	Current Consolidated 1st Quarter (June 30, 2019)
Liabilities		
Current Liabilities		
Notes and accounts payable	57,720	47,336
Accrued construction payment	295,807	531,943
Short-term borrowings	272,625	145,319
Bonds to be redeemed within a year	74,000	74,000
Current portion of long-term borrowings	1,823,069	2,894,571
Corporate income tax, etc., payable	35,805	5,689
Amount received for uncompleted construction projects	79,208	203,008
Reserve for bonuses	34,053	21,078
Reserve for officers' bonuses	10,000	-
Allowance for compensation for completed construction projects	3,929	3,310
Other	1,310,871	797,454
Total Current Liabilities	3,997,090	4,723,710
Fixed Liabilities		
Bonds	48,000	48,000
Long-term borrowings	10,366,761	10,213,755
Net defined benefit liabilities	144,860	159,217
Reserve for retirement benefits for officers	138,571	26,357
Asset retirement obligations	68,820	315,703
Other	251,998	850,090
Total Fixed Liabilities	11,019,012	11,613,122
Total Liabilities	15,016,102	16,336,833
Net Assets		
Shareholders' equity		
Capital	12,086,958	12,086,958
Capital surplus	10,217,645	1,979,736
Retained earnings	△5,908,282	2,334,548
Treasury stock	△140,420	△140,420
Total Shareholders' Equity	16,255,901	16,260,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	△914
Foreign currency translation adjustments	△158,919	△204,023
Total Accumulated Other Comprehensive Income	△158,919	△204,937
New share subscription rights	547,293	530,641
Non-controlling interest	94,423	-
Total Net Assets	16,738,698	16,586,528
Total Liabilities and Net Assets	31,754,801	32,923,361

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Profit and Loss Statement)
(Consolidated Cumulative First Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative 1st Quarter (From April 1, 2018 To June 30, 2018)	Current Consolidated Cumulative 1st Quarter (From April 1, 2019 To June 30, 2019)
Sales	1,843,511	323,296
Cost of Goods Sold	1,924,866	612,906
Gross Profit on Sales or Gross Loss on Sales	△81,354	△289,609
Selling, General and Administrative Expenses	668,065	549,959
Operating Loss (△)	△749,419	△839,568
Non-operating Income		
Interest income and dividends	297,475	121,904
Gain on investment in capital	50,182	100,661
Investment profit by equity method	-	12,802
Clerical affairs fee received	700	450
Reversal of selling expenses	661	-
Foreign currency exchange profit	76,468	-
Gain on bad debts recovered	-	135,943
Reversal of allowance for doubtful accounts	-	495,983
Other	6,686	61,290
Total Non-operating Income	432,175	929,035
Non-operating Expenses		
Interest expenses	36,571	43,355
Borrowing fees	4,115	9,223
Valuation loss on investment securities	1,495	195
Foreign currency exchange loss	-	53,395
Loss on investment in silent partnership	50,491	377
Transfer to allowance for doubtful accounts	133,954	-
Other	13,423	1,280
Total Non-operating Expenses	240,052	107,827
Ordinary Profit or Ordinary Loss (△)	△557,296	△18,360
Extraordinary Profits		
Profit on sale of fixed assets	-	14
Profit on reversal of new share subscription rights	-	16,651
Gain on return of directors' bonuses	-	64,098
Total Extraordinary Profits	-	80,764
Extraordinary Losses		
Loss on sale of fixed assets	0	-
Total Extraordinary Losses	0	-
Quarterly net profit or net loss before dividends distribution from silent partnership, income taxes (△)	△557,296	62,404
Dividends distribution from silent partnership	4,565	△3,781
Quarterly net profit before taxes, etc., or quarterly net loss before taxes, etc. (△)	△561,862	66,185
Corporate income tax, resident tax and business tax payable	26,651	15,926
Adjustment of corporate income tax, etc.	35,215	22,770
Total Corporate Income Tax, etc.	61,867	38,696
Quarterly net profit or quarterly net loss (△)	△623,730	27,488
Net profit attributable to non-controlling interests or net loss attributable to non-controlling interests (△)	△24,315	-
Net profit attributable to owners of the parent	△599,414	27,488

(Quarterly Consolidated Statement of Comprehensive Income)
(Consolidated Cumulative First Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative 1st Quarter (From April 1, 2018 To June 30, 2018)	Current Consolidated Cumulative 1st Quarter (From April 1, 2019 To June 30, 2019)
Quarterly net profit or quarterly net loss (Δ)	$\Delta 623,730$	27,488
Other comprehensive income		
Valuation difference on available-for-sale securities	-	$\Delta 914$
Foreign currency translation adjustments	$\Delta 919,183$	$\Delta 2,287$
Share of other comprehensive income of entities accounted for using equity method	-	$\Delta 26,101$
Total other comprehensive income	$\Delta 919,183$	$\Delta 29,303$
Quarterly Comprehensive Income	$\Delta 1,542,913$	$\Delta 1,814$
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	$\Delta 1,510,977$	$\Delta 18,529$
Quarterly comprehensive income attributable to non- controlling interests	$\Delta 31,936$	16,715

(3) Notes to Quarterly Consolidated Financial Statements

(Notes to Assumptions on a Going Concern)

No applicable matter.

(Explanatory Note in Case of Significant Changes in the Amount of Shareholders' Equity)

As a result of the resolution of the 118th Annual General Meeting of Shareholders held on June 27, 2019, after the Company reduced capital reserves by 7,562,779 thousand yen and transferred it to other capital surplus, and reduced reserved surplus by 83,651 thousand yen and transferred it to retained earnings carried forward, other capital reserves were reduced by 7,562,779 thousand yen on the same date and transferred to retained earnings carried forward to compensate for a deficit.

There is no significant change in the total amount of shareholder equity.

(Application of Accounting Particular to Preparation of Consolidated Quarterly Financial Statements)

No applicable matter.

(Changes in Accounting Policy)

No applicable matter.

(Changes in Accounting Estimate)

No applicable matter.