

Pressance Corporation Co., Ltd.

(Ticker: 3254.T)

FY2017 3rd Quarter, April-December, Presentation Material

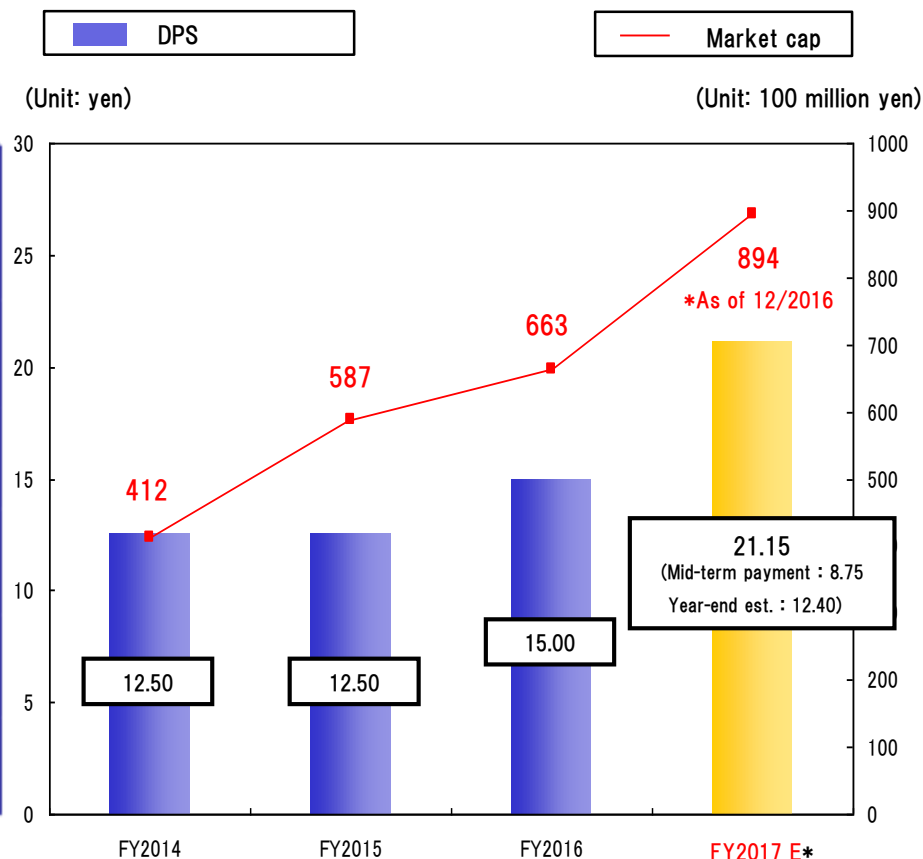
February, 2017



Revision to Dividend Forecast (Increase)

- The company has decided to **increase the year-end dividend** from the previously estimated 8.75 yen per share **to 12.40 yen** (an increase of 3.65 yen, **estimated at 21.15 yen annually**) because of its solid business results during the March FY2017 and following a review of future profits and business prospects.

Date		Annual dividend			YoY dividend growth rate	Total dividend (million yen)
		Second quarter	Fiscal year end	Total		
FY2017 E	Current dividend est.	8.75 (actual)	12.40	21.15	+41.0%	
	Previous dividend est.	8.75 (actual)	8.75	17.50	+16.7%	
FY2016 payment (after stock split)		0.00	15.00	15.00	+20.0%	882
FY2015 payment (after stock split)		0.00	12.50	12.50	+0.0%	769
FY2014 payment (after stock split)		0.00	12.50	12.50	+42.9%	766



* 2016/9 mid-term payment
2016/10 4-for-1 stock split

Summary of consolidated profits and losses

■ In the third quarter of the March, 2017, fiscal year, sales rose from-a the previous year, but **profit declined** because of a **rising cost** sales ratio resulting from the growing costs of site acquisition for development, continuously high construction costs, and an **increase in the delivery of** relatively low-margin **condominium building sales**. The 3Q results being compared with the estimated earnings of FY2017 are in line.

(¥ million)

	FY2015 3Q (Ratio to sales)	FY 2016 3Q	FY 2017 3Q	YoY (%)	FY2017 E	Rate of progress on 3Q to FY2017 (%)
Sales	57,342 (100.0%)	69,846 (100.0%)	72,961 (100.0%)	+ 4.5%	100,839 (100.0%)	72.4%
COGS	39,327 (68.6%)	48,611 (69.6%)	52,169 (71.5%)	+ 7.3%	73,217 (72.6%)	71.3%
Gross margin	18,015 (31.4%)	21,235 (30.4%)	20,791 (28.5%)	▲ 2.1%	27,622 (27.4%)	75.3%
SG&A expense	5,763 (10.1%)	6,817 (9.8%)	8,344 (11.4%)	+ 22.4%	12,155 (12.1%)	68.6%
Operating income	12,252 (21.4%)	14,418 (20.6%)	12,447 (17.1%)	▲ 13.7%	15,466 (15.3%)	80.5%
Ordinary income	12,125 (21.1%)	14,270 (20.4%)	12,292 (16.8%)	▲ 13.9%	15,089 (15.0%)	81.5%
Net income	7,814 (13.6%)	9,502 (13.6%)	8,235 (11.3%)	▲ 13.3%	10,327 (10.2%)	79.7%

Major Sales Results in the Condominium Business

	FY2015 3Q				FY2016 3Q				FY2017 3Q				FY 2017 E	Rate of progress on 3Q to FY2017 (%)
	No. of units	YoY (%)	Amount (¥ million)	YoY	No. of units	YoY	Amount	YoY	No. of units	YoY	Amount	YoY	Amount	
Single-room Condominiums	873	89.7%	13,693	88.8%	1,153	132.1%	18,477	134.9%	1,434	124.4%	24,809	134.3%	32,859	75.5%
Family type condominiums	1,218	180.2%	38,053	170.7%	1,345	110.4%	42,020	110.4%	1,031	76.7%	33,857	80.6%	50,072	67.6%
Condominium building sales	197	94.3%	3,256	149.2%	330	167.5%	4,053	124.5%	746	226.1%	9,847	242.9%	11,649	84.5%
Total	2,288	123.1%	55,003	137.9%	2,828	123.6%	64,552	117.4%	3,211	113.5%	68,514	106.1%	94,581	72.4%

Summary of consolidated assets and liabilities

(¥ million)

	FY2015 3Q (Ratio to sales)	FY2016 3Q	FY2017 3Q
Liquid assets	94,070 (92.6%)	117,887 (94.9%)	147,054 (93.8%)
Of these, real estate for sale	2,602	4,173	11,828
Of these, real estate in process for sale	68,854	88,376	108,286
Fixed assets	7,478 (7.4%)	6,390 (5.1%)	9,763 (6.2%)
Total Assets	101,549 (100.0%)	124,277 (100.0%)	156,817 (100.0%)
Current liabilities	28,647 (28.2%)	22,171 (17.8%)	25,735 (16.4%)
Of these, short-term interest-bearing liabilities	1,835	5,408	13,309
Fixed liabilities	28,269 (27.8%)	51,781 (41.7%)	73,804 (47.1%)
Of these, long-term interest-bearing liabilities	27,831	51,297	73,293
Total liabilities	56,916 (56.0%)	73,953 (59.5%)	99,539 (63.5%)
Shareholders' net assets	44,632 (44.0%)	50,324 (40.5%)	57,278 (36.5%)
Total net liabilities and shareholders' net assets	101,549 (100.0%)	124,277 (100.0%)	156,817 (100.0%)

*1 Real estate for sale 11,828 million yen

*2 Real estate in process for sale 108,286 million yen

- Land cost for condominium business 3,611 million yen ---①
- Other land cost 276 million yen *
- Construction cost 7,941 million yen
- Land cost for condominium business 72,024 million yen ---②
- Other land cost 5,905 million yen *
- Construction cost 30,356 million yen

Explanations on real estate cost ① and ② are given in "Inventory Assets" on page 5

* Cost related to land for pre-owned or new houses for sale, others

FY2017 3Q, Inventory Assets (Land Already Acquired)

Category	FY2017 3Q, Inventory assets (land already acquired)		Commentary
	No. of units	Amount (¥ million)	
Single-room condominiums	5,307	19,222	Land already acquired for use in more than 3 years through FY2019 based on the assumption that 1,600 to 1,700 units are delivered each quarter
Family type condominiums	5,622	42,977	Land already acquired for use in more 3 years through FY2019 based on the assumption that 1,500 to 1,800 units are delivered each quarter
Condominium building sales	3,012	13,435	400 units were delivered in the FY2016, and land for use 7 times that total already acquired
Total	13,941	75,635	* Total of land cost in ①+② on page 4

(Note)

- Settlements and delivery of all Land Inventory, which described as above, have been completed.
- We have another firm contract on land of 33 buildings in addition to above number, which will be divided to 2,800 units; 2,000 units of Single-room, 800 units of Family type. Settlements and delivery process is on-going.
- Total amount of real estate and real estate in process for sale on 3Q FY2017 is ¥120,114 million. Then deducting construction cost (¥38,298 million) and cost for real estate and other items* (¥6,181 million), and total amount of inventory assets are calculated as ¥75,635 million.

*cost for real estate and other items come from distribution business of used houses and new detached houses.

3. FY2016 E total inventory assets (land) **61,211 million yen** ⇒FY2017 1Q total inventory assets (land) **61,676 million yen**
 ⇒FY2017 2Q total inventory assets (land) **64,205 million yen**

FY2017 3Q, Outstanding Balance of Contracts (Outstanding orders), 1

FY2017 3Q, Outstanding balance of contracts (outstanding orders)						
Category	No. of units	Amount (¥ million)	FY2017 Firm scheduled delivery		Firm scheduled delivery later than FY2018	
			No. of units	Amount	No. of units	Amount
Single-room condominiums	789	13,349	451	7,530	338	5,819
Family type condominiums	1,986	73,502	458	14,593	1,528	5,8908
Condominium building sales	790	10,130	175	2,410	615	7,719
Total	3,565	96,981	1,084	24,534	2,481	72,447



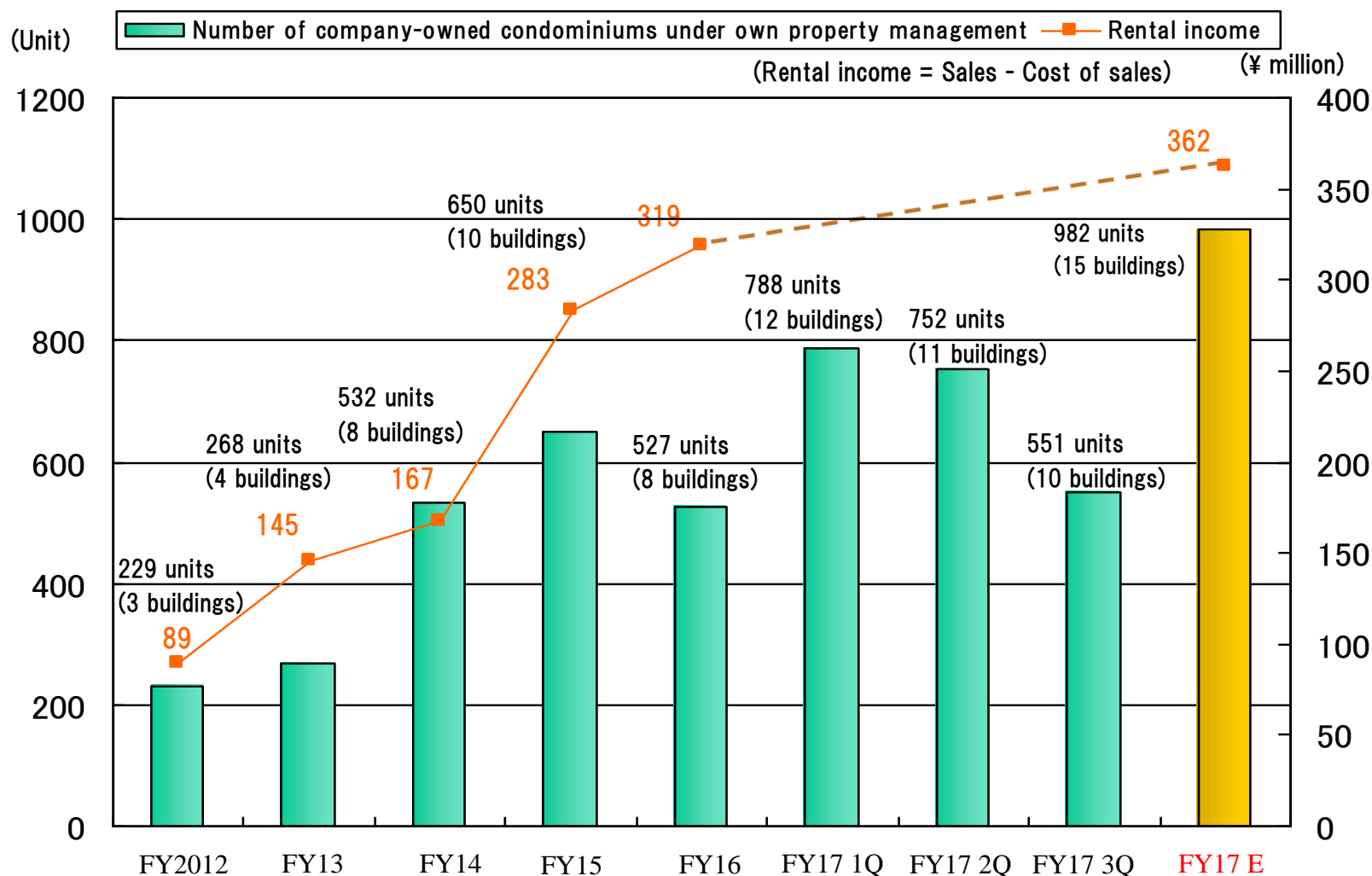
FY2017 3Q, Sales								
Category	FY2017 3Q, Sales results			FY2017 Firm scheduled delivery			3Q result + Firm scheduled delivery on FY2017 (in progress)	
	No. of units	Amount		No. of units	Amount		No. of units	Amount
Single-room condominiums	1,434	24,809	+	451	7,530	=	1,885	32,340
Family type condominiums	1,031	33,857		458	14,593		1,489	48,450
Condominium building sales	746	9,847		175	2,410		921	12,257
Total	3,211	68,514		1,084	24,534		4,295	93,048

FY2017 3Q, Outstanding Balance of Contracts (Outstanding Orders), 2

- 3Q result plus firm scheduled delivery on FY 2017 got to **¥93,048 million**
- Rate of progress reached **98.4%** based on estimated sales of FY 2017.

FY2017 3Q, Sales				
Category	3Q result + Firm scheduled delivery on FY 2017 (in progress)		FY2017, Sales estimated	
	No. of units	Amount (¥ million)	No. of units	Rate of process in relation to sales estimated on FY2017(%)
Single-room condominiums	1,885	32,340	32,859	98.4%
Family type condominiums	1,489	48,450	50,072	96.8%
Condominium building sales	921	12,257	11,649	105.2%
Total	4,295	93,048	94,581	98.4%

Changes in Company-owned Condominiums



Note : An accounting entry shift, from company-owned condominiums to real estate for sale, was applied to FY2016 (2 buildings sold in December 2015) and FY2017 3Q (one building sold in December 2016), which decreased the ratio of units to rental income compared with other quarters.

1-(1) : Family Type Condominium Business

■ Sales progress of major **large-scale projects**

- (1) **Osaka Area: our first earthquake-resilient condominium tower project**
“Pressance Legend Sakaisuji-Hommachi Tower”
 (family type)

An earthquake-resilient, 30-story, **337-unit**, skyscraper has been built.
 We started selling units in January 2016, and during the nine months up to the end of September 2016

Contracts have been closed for **259 units** ➡ **76.9% close rate**

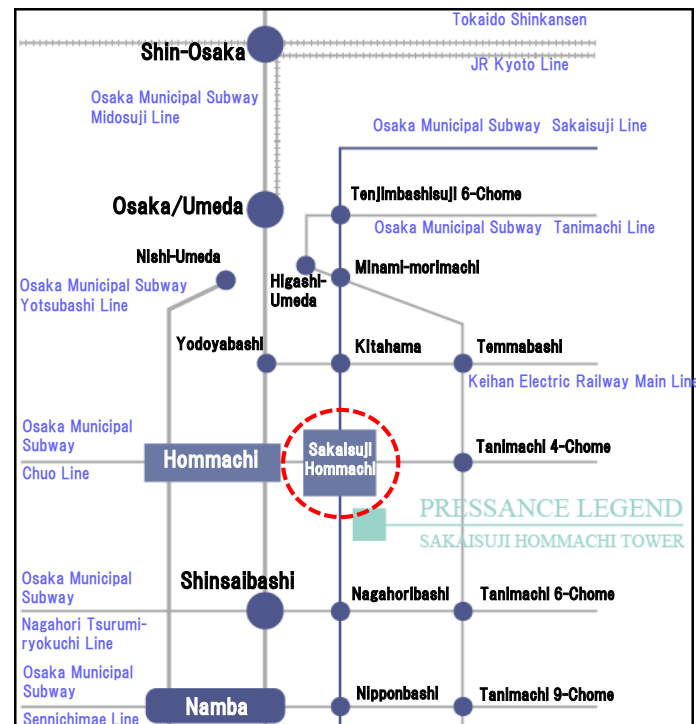
We are making a steady sales progress toward the handover of condominium units scheduled in January 2018.
 The third marketing period is scheduled to begin in January 2017.



ACCESS

2-minute walk from “Sakaisuji-Hommachi” Station of Osaka Municipal Subway Sakaisuji Line and Chuo Line.

9-minute walk from “Hommachi” Station of Osaka Municipal Subway Midosuji Line, Yotsubashi Line and Chuo Line.



1-(2) : Family Type Condominium Business

■ Sales progress of major large-scale projects

(2) Our largest-ever project with a total of 486 units *

“Pressance Legend Lake Biwa” (family type)

It is one of the largest condominiums on the shore of Lake Biwa and **all units have a lake view.**

We start selling units in August 2016, and during the two months up to the end September 2016

Contracts have been concluded for **275 units** ➡ **56.6% close rate**

We got off to a good start toward the handover of condominium units scheduled in early May 2018.

The first marketing period is scheduled to begin in January 2017.

* The total number of units for sale has been changed from the initially planned 497 to 486 (a reduction of 11 units). Specifications for units on upper floors have been changed from standard-type to grand premium-type (more spacious, higher grade) based on feedback from pre-marketing questionnaires.



ACCESS

7 minute-walk from
JR Kosei Line “Otsukyo” Station

10 minutes to “Kyoto Station”
40 minutes to “Osaka Station”
from “Otsukyo” Station.



Latest Topics 3

■ Inclusion in JPX-Nikkei Mid and Small Cap Index constituents and Loan Margin Trading Issues

Constituents in the new **JPX-Nikkei Mid and Small Cap Index**, jointly developed by the Tokyo Stock Exchange, Inc. and Nikkei Inc., were announced in December 2016. Pressance was chosen as one of the constituents, following its previous inclusion in the JPX-Nikkei Index 400.

The JPX-Nikkei Mid and Small Cap Index is a mid- and small-size version of the JPX-Nikkei Index 400.

The company was ranked at **11th** among the 200 constituents in the index in a ranking based on ROE, operating profit, and other indicators (No. 1 in the real estate industry).

(Based on an estimated ranking of JPX-Nikkei Mid and Small Cap Index constituents by Mizuho Securities Co., Ltd.)

The company had already been selected as a Standardized Margin Trading Issue on the first section of the Tokyo Stock Exchange, and on Jan. 31, 2017, it was also selected as a **Loan Margin Trading Issue**.

The company believes that this selection will contribute to the better liquidity and supply-demand relations of its shares as well as to the revitalization of trading and fair price formation of its stock.

An estimated ranking of JPX-Nikkei Mid and Small Cap Index constituents

Code	Stock name	Market	Category	Market cap.	Quantitative ranking		Additional qualitative item			Final ranking	JPX-Nikkei Mid Small	JPX-Nikkei400	Selection-anticipated stock
					3-year average ROE	3-year cumulative operating profit	Outside directors	IFRS adoption	TDnet English disclosure				
7606	United Arrows	TSE 1st section	RetailTrade	96.1	47	54	✓	-	✓	1	✓	✓	-
4842	USEN	JASDAQ	Information & Communication	77.3	9	96	-	-	✓	2	✓	✓	✓
1821	Sumitomo Mitsui Construction	TSE 1st section	Construction	104.1	44	27	✓	-	-	3	✓	✓	✓
7419	Nojima	TSE 1st section	Retail Trade	64.7	51	108	✓	-	✓	4	✓	✓	✓
9422	CONEXIO	TSE 1st section	Information & Communication	80.4	58	142	✓	-	✓	5	✓	-	-
7148	FPG	TSE 1st section	Securities & Commodity Futures	90.0	6	264	✓	-	✓	6	✓	✓	-
6624	TABUCHI ELECTRIC	TSE 1st section	Electric Appliances	16.1	3	183	✓	-	-	7	✓	-	✓
7256	KASAI KOGYO	TSE 1st section	Transportation Equipment	55.4	63	46	✓	-	-	8	✓	-	✓
8050	SEIKO HOLDINGS	TSE 1st section	Precision Instruments	90.1	66	40	✓	-	-	9	✓	✓	✓
6256	NuFlare Technology	JASDAQ	Machinery	66.0	35	29	-	-	-	10	✓	✓	✓
3254	PRESSANCE CORPORATION	TSE 1st section	Real Estate	95.2	64	50	✓	-	-	11	✓	✓	✓
6796	Clarion	TSE 1st section	Electric Appliances	117.3	73	146	✓	✓	-	12	✓	-	✓
6486	EAGLE INDUSTRY	TSE 1st section	Machinery	79.0	121	34	✓	-	✓	13	✓	✓	✓
6750	ELECOM	TSE 1st section	Electric Appliances	76.9	71	151	✓	-	✓	14	✓	✓	✓
9678	KANAMOTO	TSE 1st section	Services	105.0	128	26	✓	-	✓	15	✓	✓	✓

(Source : Estimated by Mizuho Securities Co., Ltd.)



Pressance Corporation Co., Ltd.

(Note) Prospective numbers listed in the earnings outlook and other materials are based on information available at the time the documents were released and in large part contain uncertain factors. The actual results may be different depending on changes in business.

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