



## Bridge Report Pressance Corporation Co., Ltd. (3254)

 President Shinobu Yamagishi	Company	Pressance Corporation Co., Ltd.	
	Code No.	3254	
	Exchange	TSE 1st Section	
	Industry	Real estate business	
	President	Shinobu Yamagishi	
	Address	Crystal Tower, 1-2-27 Shiromi, Chuo-ku, Osaka	
	Business	To supply family and single-room condominiums mainly in the Kinki, Tokai, and Chukyo regions. Expanding its business area including overseas. The company also has offices in Nagoya and Tokyo.	
	Year-end	End of March	
URL	https://www.pressance.co.jp/		

### — Stock Information —

Share Price	Number of shares issued		Total market cap	ROE (Actual)	Trading Unit
¥1,499	61,613,600 shares		¥92,359 million	19.4%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥70.00	1.2%	¥175.61	8.5 times	¥3,414.09	1.8 times

\*The share price is the closing price on December 16. The number of shares issued was taken from the latest brief financial report.

ROE and BPS are the values for the previous term.

\*4-for-1 share split was conducted on Oct. 1, 2016. The DPS and dividend yield are annual values obtained without taking into account the share split.

### — Earnings Trends —

(Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
Mar. 2012 (Actual)	36,998	7,613	7,464	4,096	272.39	35.00
Mar. 2013 (Actual)	42,349	9,393	9,329	5,351	355.81	35.00
Mar. 2014 (Actual)	51,755	10,334	10,264	6,286	413.75	50.00
Mar. 2015 (Actual)	65,641	12,262	12,065	7,758	505.07	50.00
Mar. 2016 (Actual)	78,990	14,057	13,798	9,194	609.22	60.00
Mar. 2017 (Forecast)	100,839	15,466	15,089	10,327	702.42	70.00

\* The forecast is from the company.

\*From the FY 3/16, net income is profit attributable to owners of the parent. Hereinafter the same applies.

\*4-for-1 share split was conducted on Oct. 1, 2016. The DPS and dividend yield are annual values obtained without taking into account the share split.

This report introduces Pressance Corporation's the first half of fiscal year March 2017 earnings results, future growth strategies and so on.

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## Key Points

- Pressance Corporation is an independent condominium developer that plans, develops, and sells family and single-room condominiums mainly in the Kinki, Tokai, and Chukyo regions, based on the business model of “creating high added value for real estate.” The company supplies the largest number of condominium units in each of the Kinki, Tokai, and Chukyo regions. In Japan, the company ranks 6<sup>th</sup>. Its major strengths include plentiful experience of supplying condominiums, large market share, high sales capacity, and sound financial position.

- The sales for 2Q of the term ending Mar. 2017 were 61,498 million yen, down 1.3% year on year. The performance of single-room condominiums remained healthy, but the number of completed family condominiums that can be included in sales was smaller as compared with the same period of the previous year, and sales declined. Due to the augmentation of construction work cost, etc., gross profit rate decreased 1.4%. As sales dropped, the augmentation of SG&A was not covered, resulting in an operating income of 11,997 million yen, down 15.6% year on year, and an ordinary income of 11,910 million yen, down 15.8% year on year. Sales and profit decreased year on year, but the progress rate toward the full-year forecast is healthy as a whole.

- There is no change to the full-year earnings forecast for the term ending Mar. 2017. Sales are estimated to grow 27.7% year on year to 100,839 million yen. Due to the augmentation of construction cost, etc., gross profit rate will decrease this term. Additionally, cost of sales promotion will augment and more employees will be hired. As a result the SG&A is forecasted to increase by about 30%, however it will be offset by sales growth, and operating income will increase 10.0% year on year to 15,466 million yen. The company carried out 4-for-1 share split on Oct. 1, 2016. Its term-end dividend is to be 8.75 yen/share, or 35 yen/share when the share split is not taken into account. When an interim dividend of 35 yen/share is added, the annual dividend will be 70 yen/share, up 10 yen/share from the previous term. Payout ratio is projected to be 10.0%.

- Sales and profit declined year on year, but exceeded initial estimates, indicating healthy progress as a whole. In the short term, we would like to pay attention to how much the company will earn from the 3<sup>rd</sup> quarter. In the medium term, it is favorable that their growth strategies are progressing steadily. Nevertheless, we look forward to seeing the concrete measures for establishing the presence of the company in the Tokyo Metropolitan Area, which is one of their goals.

## 1. Company Overview

Pressance Corporation is an independent condominium developer that plans, develops, and sells family and single-room condominiums mainly in the Kinki, Tokai, and Chukyo regions, based on the business model of “creating high added value for real estate.” The company supplies the largest number of condominium units in each of the Kinki, Tokai, and Chukyo regions. In Japan, the company ranks 6<sup>th</sup>. Its major strengths include plentiful experience of supplying condominiums, large market share, high sales capacity, and sound financial position.

### 【Corporate history】

President Shinobu Yamagishi, who had accumulated experience in a leading condominium developer, established Nikkei Prestige Co., Ltd., the predecessor of Pressance Corporation, for the purpose of conducting real estate business in October 1997. The company released the first original brand condominium “Pressance Namba East” in 1998, and then the first originally developed condominium “Pressance Shinsaibashi East” in 2000, accumulating experience steadily.

In 2002, the company was renamed “Pressance Corporation Co., Ltd.” From the Kinki region, the company expanded its business area and released “Pressance Nagoyajo-mae,” the first originally developed condominium in the Tokai area, in

2003, expanding its operations steadily. Then, it was listed in the second section of Tokyo Stock Exchange in 2007. In 2008, it opened Tokyo Branch, commencing business operation in the Tokyo Metropolitan Area. Thanks to the steady expansion of its business area, the company withstood the effects of the bankruptcy of Lehman Brothers, and kept growing. Then, it was listed in the first section of the Tokyo Stock Exchange in 2013.

## 【Corporate ethos】

### The “Light up your corner” spirit

“Light up your corner” is a teaching by one Buddhist monk called Saicho, the founder of Enryaku-Ji Temple in Shiga Prefecture and the Tendai sect of Buddhism. The slogan means that each and every individual should try their hardest in their own place and shine a light around by working for others, which in turn will brighten up society as a whole and eventually bring peace and happiness to the whole world. It is the original and still valid company motto proposed by President Yamagishi, himself a Shiga native.

#### **Business development starting with the “light up your corner” spirit**

Since our founding in 1997 when we started out by “shining light into one corner” of the areas in which we were involved, our company has always strived to enhance the value of those areas and with our unswerving and constant activities we managed to expand our business range into the Tokai, Chukyo, Metropolitan and Okinawa areas, and we are planning further expansion not only nationwide, but also overseas.

#### **Business model nurtured by the “light up your corner” spirit**

If our corporate activities manage to shine a light even on one small corner of society, it will brighten up the people around it, bringing happiness to society as a whole. Our company’s business model of “creating high added value for real estate” expresses our determination to do our best to this end.

#### **Spirit of “good for 3 parties” derived from the “light up your corner” spirit**

When each of our employees tries their very best in a given place, and “shines a light on one corner,” the other people will also shine brightly, as will the surrounding. This is also connected to the spirit of “good for 3 parties” – good for sellers, buyers and the public – and with this spirit, we are going to build trust and sound relationship with all stakeholders to contribute to communities and societies.

#### **From lighting up “your corner” to “your society”**

“Lighting up your corner” is not merely a self-contained philosophy limited to people and corporations, but one that should expand into lighting up “societies.” At our company, we take our social mission very seriously, and we aspire to achieve sustainable growth by positively practicing the activities stemming from governance, compliance, fair customs and environmental considerations.

(From the company’s website)

Additionally, the company places a great value in “each and every individual trying their hardest in their given place” and has the idea of “**Accomplishing ordinary tasks thoroughly and carefully enables us to achieve extraordinary results**” as the precept of the whole company.

## 【Market environment, etc.】

### ◎ Market environment

According to the survey by the Real Estate Companies Association of Japan, the number of condominiums for sale in fiscal 2015 (April 2015 to March 2016) was 12,519 in the Kinki region, 2,271 in the Chubu region, 30,084 in the Tokyo Metropolitan Area, totaling 44,874 in the three areas.

According to the company’s data (source: Real Estate Economic Institute) in the category of condominiums for sale, the company enjoys high market shares; it ranks first in the Kinki region for the sixth consecutive year (1,669 in 2015), ranks first in the Tokai and Chukyo regions for the fifth consecutive year (695 in 2015), and ranks sixth nationwide (2,512 in

2015).

Ranking for the supply of condominiums for sale in the Kinki region in 2015			Ranking for the supply of condominiums for sale in the Tokai and Chukyo regions in 2015		
Rank	Corporate name	No. of units	Rank	Corporate name	No. of units
<b>1</b>	<b>Pressance Corporation</b>	<b>1,669</b>	<b>1</b>	<b>Pressance Corporation</b>	<b>695</b>
2	Nihon Eslead Corp.	1,377	2	Nomura Real Estate Development Co., Ltd.	374
3	Sumitomo Realty & Development Co., Ltd.	915	3	Daiwa House Industry Company, Limited	342
4	Nomura Real Estate Development Co., Ltd.	856	4	Daikyo Incorporated	298
5	Wada Kohsan Corporation	838	5	Yahagijisyo Co., Ltd.	287
Ranking for the supply of condominiums for sale in Japan in 2015					
Rank	Corporate name	No. of units			
1	Sumitomo Realty & Development Co., Ltd.	5,398			
2	Nomura Real Estate Development Co., Ltd.	4,556			
3	Mitsui Fudosan Residential Co., Ltd.	4,308			
4	Mitsubishi Jisho Residence Co., Ltd.	4,005			
5	Daiwa House Industry Company, Limited	2,770			
<b>6</b>	<b>Pressance Corporation</b>	<b>2,512</b>			
7	Tokyu Land Corporation	1,838			
8	Tokyo Tatemono Co., Ltd.	1,501			
9	Daikyo Incorporated	1,440			
10	Takara Leben Co., Ltd.	1,399			

## ◎ Competitors

Pressance Corporation was compared with the enterprises listed in the above table from various aspects.

(unit: million yen)

Code	Corporate name	Sales	Ordinary income	Total assets	Real estate for sale (A)	Real estate in process for sale (B)	Interest-bearing liabilities
1925	Daiwa House Industry Company, Limited	3,192,900	233,593	3,257,805	331,763	40,233	491,962
3231	Nomura Real Estate Holdings, Inc.	569,545	72,679	1,485,449	78,132	269,546	721,900
<b>3254</b>	<b>Pressance Corporation</b>	<b>78,990</b>	<b>13,798</b>	<b>124,277</b>	<b>4,173</b>	<b>88,376</b>	<b>56,705</b>
3289	Tokyu Fudosan Holdings Corporation	815,479	56,379	1,984,382	199,285	159,337	1,106,114
8804	Tokyo Tatemono Co., Ltd.	260,012	24,796	1,297,112	53,349	43,700	700,990
8830	Sumitomo Realty & Development Co., Ltd.	854,964	148,424	4,675,914	311,305	535,399	3,158,901
8840	Daikyo Incorporated	334,853	17,093	274,594	38,909	48,227	38,471

8877	Nihon Eslead Corp.	37,144	3,319	57,312	13,873	12,734	12,340
8897	Takara Leben CO., LTD.	76,268	6,708	129,744	4,073	36,134	70,169
8931	Wada Kohsan Corporation	28,950	2,055	70,876	5,708	29,629	42,355

(units: million yen, etc.)

Code	Corporate name	Inventory asset ratio (A ÷ B)	Capital-to-asset ratio	Dependence on interest-bearing debts	Ordinary income rate	ROE	Market cap	Estimated PER	PBR
1925	Daiwa House Industry Co., Ltd.	824.6%	35.9%	15.1%	7.3%	9.1%	2,199,252	12.0	1.9
3231	Nomura Real Estate Holdings, Inc.	29.0%	29.9%	48.6%	12.8%	11.3%	374,043	8.7	0.8
<b>3254</b>	<b>Pressance Corporation</b>	<b>4.7%</b>	<b>40.4%</b>	<b>45.6%</b>	<b>17.5%</b>	<b>19.4%</b>	<b>92,359</b>	<b>8.5</b>	<b>1.8</b>
3289	Tokyu Fudosan Holdings Corporation	125.1%	21.1%	55.7%	6.9%	7.1%	454,349	13.7	1.0
8804	Tokyo Tatemono Co., Ltd.	122.1%	23.2%	54.0%	9.5%	5.6%	338,463	17.8	1.1
8830	Sumitomo Realty & Development Co., Ltd.	58.1%	19.0%	67.6%	17.4%	10.2%	1,496,814	14.9	1.7
8840	Daikyo Incorporated	80.7%	60.5%	14.0%	5.1%	7.8%	206,668	14.8	1.3
8877	Nihon Eslead Corp.	108.9%	56.1%	21.5%	8.9%	6.7%	20,616	7.3	0.6
8897	Takara Leben Co., Ltd.	11.3%	25.8%	54.1%	8.8%	13.3%	86,184	8.4	2.2
8931	Wada Kohsan Corporation	19.3%	24.8%	59.8%	7.1%	7.2%	7,540	5.8	0.4

\*The values compared are from the results for the previous term. Market cap, PER, and PBR are based on the closing price on December 16, 2016.

Compared with competitors, the scale of Pressance Corporation is by no means large, but it has some notable characteristics: the small amount of completed inventory, high capital-to-asset ratio, a low degree of dependence on interest-bearing liabilities, and high profitability (ordinary income rate and ROE).

Meanwhile, PBR exceeds 1, but PER remains low despite that its share price has risen.

It is necessary to further increase investors' awareness of the company and to promote understanding of its growth strategy.

## 【Business contents】

Pressance Corporation has two business segments: “real estate sale business,” in which the company plans, develops, and sells single-room condominiums for investment and family condominiums for satisfying actual demand, and “other business,” in which the company manages the lease of single-room apartments, leases them, manage their buildings, and so on.

### ◎Product mix

The outlines of the condominiums handled by the company are as follows:

The approximate average price is 16 million yen for single-room condominiums and 32 million yen for family condominiums.

Type	Residential area	Layout	Features	Criteria for selection
Single-room	About 20 to 50 m <sup>2</sup>	1ROOM to 1LDK (L: living room, D: dining room, K:	Urban type Within 5 min. on foot from a	Convenient location (Colleges, vocational schools, enterprises,

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		kitchen)	major station	commercial facilities, etc.)
Family	About 50 to 100 m <sup>2</sup>	1LDK to 5LDK	Urban and suburban types Within 10 min. on foot from a major station	Environment-rich location (Elementary and middle school areas, enterprises, commercial facilities, etc.)
Combined	About 20 to 100 m <sup>2</sup>	1ROOM to 5LDK	Urban and suburban types Within 5 min. on foot from a major station	Criteria similar to those for single-room condominiums

(Sales results for the term ended March 2016)

(unit: million yen)

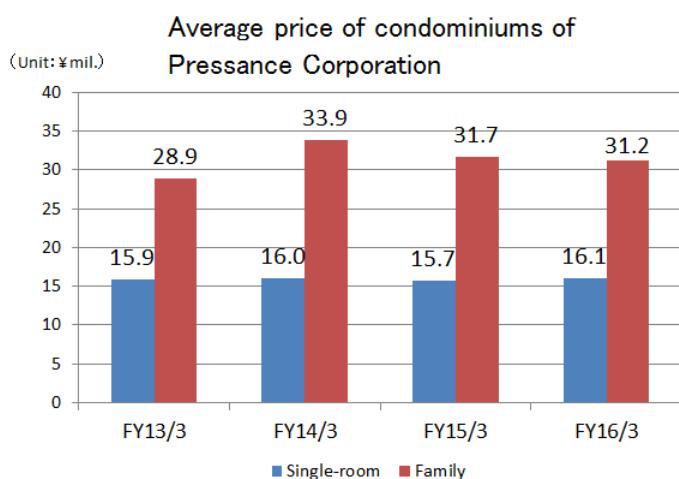
Type	Amount sold	Share	No. of units	Share
Single-room condominiums	21,966	27.8%	1,366	42.2%
Family condominiums	44,931	56.9%	1,429	44.1%
Sale of condominium buildings	4,922	6.2%	401	12.4%
Sale of other housing	1,256	1.6%	44	1.3%
Sale of other real estate	2,388	3.0%	-	-
Business accompanying real estate sale	279	0.4%	-	-
<b>Real estate sale business</b>	<b>75,745</b>	<b>95.9%</b>	<b>3,240</b>	<b>100.0%</b>
<b>Others</b>	<b>3,244</b>	<b>4.1%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>78,990</b>	<b>100.0%</b>	<b>3,240</b>	<b>100.0%</b>

\* The sale of condominium buildings means the wholesale of the whole or part of each condominium building to condominium dealers.

\* The sale of other housing means the sale of houses, including used houses and single-family houses, other than newly built condominiums.

\* The sale of other real estate means the sale of real estate, including commercial stores and sites for development, other than housing.

\* Business accompanying real estate sale includes the agent commission for condominium sale and paperwork accompanying real estate sale.



## ◎ Sales by region

The cumulative sales volume during a period from November 1998, in which the company started selling original brand condominiums, to the end of September 2016 are 470 buildings and 30,512 condominium units nationwide, especially in the Kinki, Tokai, and Chukyo regions.



Pressance Shin-Osaka The City  
(Osaka)



Pressance Gene Shin-Kobe  
Station Front (Kobe)



Pressance Loger Karasuma-Gojo  
(Kyoto)

Prefecture, etc.	No. of buildings	No. of units
Osaka	203	13,104
Aichi	110	6,979
Kyoto	63	2,920
Hyogo	46	3,408
Shiga	8	1,199
Okinawa	15	689
Tokyo	11	621
Kanagawa	2	226
Saitama	1	29
Gifu	1	88
Mie	1	98
Nara	1	31
Aging	8	1,120
<b>Total</b>	<b>470</b>	<b>30,512</b>

\*Accumulated sales results from November 1998 to the end of September 2016

In the most recent term, which ended March 2016, the Kinki region accounted for 67% of the total number of condominiums sold, and the Tokai and Chukyo regions made up 26%.

Pressance Corporation targets the Kinki, Tokai, and Chukyo regions for selling single-room condominiums, and Tokyo and Okinawa in addition to the above regions for selling family condominiums. The Tokyo Metropolitan Area has a large market scale, but considering land procurement cost, selling prices, etc., the company refrains from handling single-room condominiums, but sells family condominiums only.

The company plans to enhance its brand power and market share further in the Kinki, Tokai, and Chukyo regions and to proceed with deployment in new regions, such as Hiroshima and Hakata.

## 【Characteristics and strengths】

### (1) Plentiful experience of supplying condominiums and large market share

As mentioned above, the company supplies the largest number of condominiums not only in the Kinki region, where it is headquartered, but also in the Tokai and Chukyo regions. It also ranked sixth nationwide in 2015.

Its large share brings some significant advantages, including the reduction in construction cost and the enhancement of information gathering capability, with the advantage of scale.

### (2) Strong selling power

As for the sale of single-room condominiums, the entire sales section is selling the same real estate intensively. Because all of the sales staff sell real estate under the same conditions, in-company competitions are intensified and the morale of

sales staff improves.

Since sales staffs sell only the same brand developed in-house, they are versed in the specs and features of real estate, and so they won the trust of customers.

In addition, the company makes efforts to find potential users in various ways, and flexibly responds to the changes in demand and market situations.

Personnel are the driving force for strengthening and growing sales capabilities. Therefore, the company puts considerable energy into personnel education. The strong selling capability of the company originates from the educational capability of the company.

It is important to train new employees so that they will become helpful in actual business as soon as possible. To do so, the company instructs new employees to accompany their seniors, to see, listen to, and experience all kinds of scenes till sale, including telephone responses to customers, the preparation of documents, and talks with visitors, repeatedly. By accumulating successful experiences, new employees will grow by themselves and become able to complete each project.

Thanks to these factors, the company sells out condominiums early and has stable sales.

### (3) Sound financial position

Pressance Corporation keeps capital-to-asset ratio high, based on high profit rate, the small amount of completed inventory, early recouping of funds, early repayment of project loans, etc., and can procure land in an advantageous manner.

(unit: million yen)

Index	Term ended Mar. 2015	Term ended Mar. 2016
Gross profit rate	30.1%	29.6%
Ordinary income rate	18.4%	17.5%
Real estate for sale (B)	2,602	4,173
Real estate in process for sale (A)	68,854	88,376
$(B) \div (A) \times 100$	3.8%	4.7%
Capital-to-asset ratio	43.9%	40.4%
Dependence on interest-bearing liabilities	33.0%	45.6%

In the term ended March 2016, gross and ordinary income rates remain high, although they dropped from the previous term, due to the augmentation of construction cost.

In addition, land was procured actively, increasing debts and then decreasing capital-to-asset ratio, but this was not so serious as to affect the financial soundness of the company.

### (4) Excellent product competitiveness

The satisfaction level of buyers is high in the three aspects of “locations,” “specs,” and “prices.”

As for “locations,” the company puts importance on convenience and advance property, and rigorously selects real estate within 10 minutes on foot from a major station in the urban area.

As for “specs,” the company puts emphasis on luxury, comfort, and functionality, and places high added value on real estate by equipping condominiums with a modular bathroom with a built-in dryer ventilator, floor heating systems based on gas-heated hot water, soundproof sashes, and noise insulation wooden floors as standard amenities.

As for “prices,” the company has achieved high cost-effectiveness by setting reasonable prices while keeping luxury.

Through these efforts, its condominiums possess high asset and brand values in the long term.





(Source: Pressance Corporation)

**(5) Outstanding information gathering capability**

For condominium developers with the desire for business expansion, it is essential to gather information on good sites for building condominiums from brokers, financial institutions, etc. ahead of any other competitors.

In the wake of the bankruptcy of Lehman Brothers, while many competitors became unable to procure land, Pressance Corporation had good financial standing, so it actively procured land by taking advantage of the situation.

For brokers, etc., the existence of Pressance Corporation, which actively procured land amid the economic downturn, was very important. In addition, the company could make a swift decision compared with leading developers, which also was very attractive to brokers, etc. Accordingly, Pressance Corporation won a reputation as “a trade partner that would bring significant advantages.” Consequently, brokers, etc. started “offering the latest information on land to Pressance.”

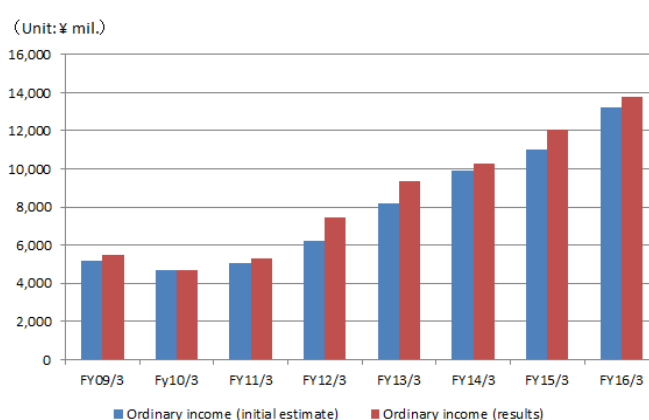
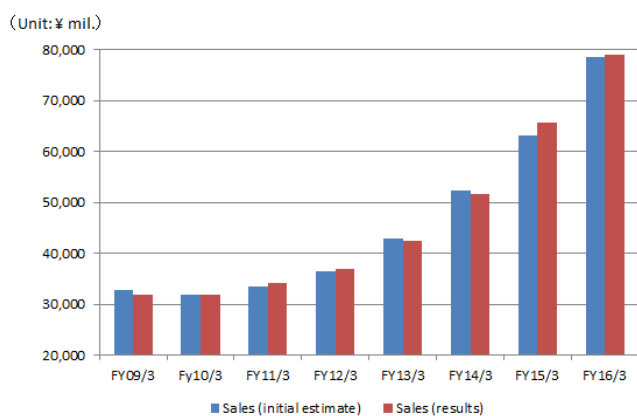
This relation is even stronger now after the aftershock of Lehman’s fall subsided, which is one of the reasons why the company is highly competitive.

Because of Pressance Corporation’s swift decision-making and improved brand power, an increasing number of clients first contact Pressance even for large-scale projects, rather than leading developers.

**(6) Stable earning capability**

Pressance Corporation was listed in the stock market in December 2007, and it has released its financial statements 8 times from the term ended March 2009 to the term ended March 2016. The comparison between the initial estimates and actual results of sales and ordinary income indicates that sales did not reach the initial estimates 4 times, while ordinary income has never failed to reach the initial estimates since the listing in the stock market.

Without being affected by the real estate market situation, the company can earn profit stably and continuously. This is a remarkable characteristic of this company.



## 【ROE analysis】

	FY 2013	FY 2014	FY 2015	FY 2016
<b>ROE (%)</b>	<b>18.5</b>	<b>18.2</b>	<b>18.9</b>	<b>19.4</b>
Net income margin [%]	12.64	12.15	11.82	11.64
Total asset turnover [times]	0.74	0.75	0.74	0.70
Leverage [times]	1.98	2.01	2.17	2.38

ROE is high, because margin (net income margin) is high.

Since the three indices (i.e. operating income, ROE, and market capitalization) in the past 3 years satisfied certain criteria, Pressance Corporation was included in JPX-Nikkei Index 400\* in August 2015. In addition, the stock of the company was designated as one of the stocks used for determining the new index “JPX-Nikkei Mid and Small Cap Index<sup>※2</sup>” in Dec. 2015. The company plans to make efforts to keep ROE high.

\*JPX-Nikkei Index 400

This is the share price index composed of the shares of “400 companies with high appeal for investors” which meet requirements of global investment standards, such as efficient use of capital use and investor-focused management perspectives.

※2 JPX-Nikkei Mid and Small Cap Index

The range of small- to medium-sized stocks is determined according to market cap and trading volume, and they are ranked according to ROE and cumulative operating income in the past 3 years. This is a share price index based on 200 stocks of companies that are attractive from the viewpoint of investment, considering the qualitative conditions, such as the company having more than one independent outside director and producing the English versions of documents.

## 2. First Half of Fiscal Year March 2017 Earnings Results

### (1) Consolidated Business Results

(unit: million yen)

	1H of FY 3/16	Ratio to sales	1H of FY 3/17	Ratio to sales	YOY	Compared with the initial forecast
Sales	62,324	100.0%	61,498	100.0%	-1.3%	+0.4%
Gross margin	18,962	30.4%	17,834	29.0%	-6.0%	-
SG&A expenses	4,744	7.6%	5,836	9.5%	+23.0%	-
Operating income	14,217	22.8%	11,997	19.5%	-15.6%	+7.5%
Ordinary income	14,147	22.7%	11,910	19.4%	-15.8%	+8.3%
Net income	9,436	15.1%	8,059	13.1%	-14.6%	+7.1%

### Sales and profit dropped, but exceeded initial estimates, indicating healthy progress

Sales are 61,498 million yen, down 1.3% year on year. The performance of single-room condominiums remained healthy, but the number of completed family condominiums that can be included in sales was smaller as compared with the same period of the previous year, and sales declined. Due to the augmentation of construction work cost, etc., gross profit rate decreased 1.4%. As sales dropped, the augmentation of SG&A was not covered, resulting in an operating income of 11,997 million yen, down 15.6% year on year, and an ordinary income of 11,910 million yen, down 15.8% year on year. Sales and profit decreased year on year, but the progress rate toward the full-year forecast is healthy as a whole.

## (2) Trends by segment

	1H of FY 3/16	Ratio to sales	1H of FY 3/17	Ratio to sales	YOY
<b>Sales</b>					
Real estate sale business	60,637	97.3%	59,624	97.0%	-1.7%
Others	1,687	2.7%	1,873	3.0%	+11.0%
<b>Total</b>	<b>62,324</b>	<b>100.0%</b>	<b>61,498</b>	<b>100.0%</b>	<b>-1.3%</b>
<b>Operating income</b>					
Real estate sale business	13,892	22.9%	11,635	19.5%	-16.2%
Others	673	39.9%	796	42.5%	+18.1%
Adjustment	-348	-	-433	-	-
<b>Total</b>	<b>14,217</b>	<b>22.8%</b>	<b>11,997</b>	<b>19.5%</b>	<b>-15.6%</b>

\*The ratio to sales of operating income means operating income margin.

### (Real estate sale business)

The sale of Pressance Shin-Osaka The City (a total of 186 units), etc. of the single-room condominium “Pressance Series” progressed healthily, but as mentioned above, the number of family condominiums handed over to customers decreased year on year.

Sales results for the term ended March 2016

(unit: million yen)

Type	Sales	YOY	No. of units	YOY
Single-room condominiums	23,633	+32.0%	1,361	+21.6%
Family condominiums	27,016	-29.9%	832	-32.7%
Sale of condominium buildings	7,540	+162.0%	565	+144.6%
Sale of other housing	721	+226.9%	26	+225.0%
Sale of other real estate	498	-45.8%	-	-
Business accompanying real estate sale	215	+23.2%	-	-
<b>Total sales of real estate sale business</b>	<b>59,624</b>	<b>-1.7%</b>	<b>2,784</b>	<b>+7.3%</b>

\* The sale of condominium buildings means the wholesale of the whole or part of each condominium building to condominium dealers.

\* The sale of other housing means the sale of houses, including used houses and detached houses, other than newly built condominiums.

\* The sale of other real estate means the sale of real estate, including commercial stores and sites for development, other than housing.

\* Business accompanying real estate sale includes the agent commission for condominium sale and paperwork accompanying real estate sale.

### (Others)

The real estate for lease owned by the company was operated in a healthy manner, increasing the income from rents.

## (3) Financial condition and cash flow

### ◎Main BS

(unit: million yen)

	End of Mar. 2016	End of Sep. 2016		End of Mar. 2016	End of Sep. 2016
<b>Current assets</b>	117,887	135,678	<b>Current liabilities</b>	22,171	27,857
Cash and deposits	22,887	33,581	Trade payables	4,864	5,732
Real estate for sale	4,173	6,566	Short-term interest-bearing debts	5,408	10,084
Real estate for sale in process	88,376	92,400	Noncurrent liabilities	51,781	60,320
<b>Noncurrent assets</b>	6,390	10,084	Long-term interest-bearing debts	51,297	59,821
Property, plant and equipment	5,687	9,357	<b>Total liabilities</b>	<b>73,953</b>	<b>88,178</b>

Intangible assets	24	20	Net assets	50,324	57,584
Investments and other assets	678	705	Equity	50,191	57,368
Total assets	124,277	145,763	Total liabilities and net assets	124,277	145,763
			Balance of interest-bearing debts	56,706	69,905

\* Trade payables include electronically recorded accounts payable.

Real estate for sale was 6,566 million yen, up 2,392 million yen from the end of the previous term. Real estate for sale in process was 92.4 billion yen, up 4,023 million yen from the end of the previous term.

As short-term and long-term interest-bearing liabilities augmented, total interest-bearing liabilities augmented by 13,199 million yen from the end of the previous term to 69,905 million yen.

As a result, equity ratio dropped by 1.0% from the end of the previous term to 39.4%.

The inventory assets for acquired land, which is calculated by subtracting construction prices, etc. from the inventory assets in BS (sum of real estate for sale and real estate for sale in process), was 18,766 million yen (5,287 units) for single-room condominiums, and 36,610 million yen (5,004 units) for family condominiums.

When it is assumed that 1,600-1,700 single-room condominium units and 1,500-1,800 family condominium units will be handed over to customers every term from this term, it can be said that the company has already secured the land for three terms till the term ending Mar. 2019.

### ◎Cash Flow

(unit: million yen)

	1H of Mar. 2016	1H of Mar. 2017	Increase/decrease
Operating CF	5,507	3,199	-2,307
Investing CF	-68	-4,824	-4,755
Free CF	5,439	-1,624	-7,063
Financing CF	3,353	12,318	+8,965
Cash and equivalents	29,674	31,521	+1,847

Due to the augmentation of real estate for sale, etc., operating CF shrank. Due to the augmentation of expenses through the acquisition of noncurrent assets, investment CF dropped further, and free CF became negative.

Since the income from long-term debt grew, financial CF increased further.

The cash position improved.

## 3. Fiscal Year March 2017 Earnings Estimates

### (1) Full-year earnings forecast

(unit: million yen)

	FY 3/16	Ratio to sales	FY 3/17(forecast)	Ratio to sales	YOY	Progress rate
Sales	78,990	100.0%	100,839	100.0%	+27.7%	61.0%
Gross margin	23,379	29.6%	27,622	27.4%	+18.1%	64.6%
SG&A	9,321	11.8%	12,155	12.1%	+30.4%	48.0%
Operating income	14,057	17.8%	15,466	15.3%	+10.0%	77.6%
Ordinary income	13,798	17.5%	15,089	15.0%	+9.4%	78.9%
Net income	9,194	11.6%	10,327	10.2%	+12.3%	78.0%

\*The estimated values are from the company.

**There is no change to the earnings forecast. Sales and profit will grow for 7 consecutive terms, marking a record high.**

The full-year earnings forecast has not been revised. Sales are estimated to grow 27.7% year on year to 100,839 million

yen, exceeding 100 billion yen.

The cost of acquiring land for development rose and the cost of constructing condominiums remains high, but the system for supporting the acquisition of a house will be continued and the employment condition is improving. The company expects that the contract rate for urban condominiums will remain healthy.

Due to the augmentation of the costs for acquiring land and building condominiums, gross profit rate is forecasted to drop this term, too; the cost of sales promotion, including advertisement and model condominiums, will augment; and the company plans to hire more employees, as its business scale will expand. Accordingly, SG&A is estimated to augment about 30%, but it will be offset by sales growth, and operating income is projected to rise 10.0% year on year to 15,466 million yen.

The company carried out 4-for-1 share split on Oct. 1, 2016. Its term-end dividend is to be 8.75 yen/share, or 35 yen/share when the share split is not taken into account. When an interim dividend of 35 yen/share is added, the annual dividend will be 70 yen/share, up 10 yen/share from the previous term. Payout ratio is projected to be 10.0%.

## (2) Orders to be filled

Orders to be filled as of end of September 2016						
Category	Breakdown					
	To be transferred this term		Condominium sale business		To be transferred the next term	
	No. of units	Amount (A)	Estimated sales for this term (B)	Rate of progress toward estimated sales (A ÷ B)	No. of units	Amount
Single-room	1,786	30,738	32,859	93.5%	0	0
Family	1,291	42,329	50,072	84.5%	1,068	41,575
Sale of condominium buildings	921	12,257	11,649	105.2%	412	5,104
<b>Total</b>	<b>3,998</b>	<b>85,325</b>	<b>94,581</b>	<b>90.2%</b>	<b>1,480</b>	<b>46,680</b>

\*“ To be transferred this term” is sum of sales results in the first half of this fiscal year and orders to be transferred in the second half of this fiscal year.

As the annual sales of the condominium sale business for this term are estimated to be 94.5 billion yen, the progress rate toward this estimate as of the end of the second quarter is 90.2%.

Since the sales of single-room condominiums are healthy, the progress rate is higher than usual.

The reason the progress rate of sale of buildings exceeds 100% is that the noncurrent assets owned by the company were transferred to real estate for sale in the first quarter and sold in the second quarter.

## (3) Trend of each business segment

### Real estate sale business

(unit: million yen)

Type	FY 16/3	Ratio to sales	FY 17/3(forecast)	Ratio to sales	YOY	Progress rate
Single-room condominiums	21,966	29.0%	32,859	33.8%	+49.6%	71.9%
Family condominiums	44,931	59.3%	50,072	51.5%	+11.4%	54.0%
Sale of condominium buildings	4,922	6.5%	11,649	12.0%	+136.6%	64.7%
Sale of other housing	1,256	1.7%	1,984	2.0%	+57.9%	36.3%
Sale of other real estate	2,388	3.2%	200	0.2%	-91.6%	249.0%
Business accompanying real estate sale	279	0.4%	412	0.4%	+47.4%	52.2%
<b>Total sales of real estate sale business</b>	<b>75,745</b>	<b>100.0%</b>	<b>97,177</b>	<b>100.0%</b>	<b>+28.3%</b>	<b>61.4%</b>

Performance is healthy as a whole.

## 4. Future Growth Strategy

### (1) Family condominium business

The progress of sale in major projects is as follows.

#### ◎ **Pressance Legend Sakaisuji-honmachi Tower**

This is a project to build an earthquake-resistant residential skyscraper, the first of its kind in Osaka, which is 30 stories tall with 337 units. The size of each unit is planned to range from a 40 m<sup>2</sup> compact type to an over 130 m<sup>2</sup> family type. This tower condominium is also planned to have various shared facilities such as a party room, sky lounge and fitness room.

The company started selling them in Jan. 2016, and 229 units (68%) were sold by the end of Sep. 2016.

Sales activities are progressing healthily before they are handed over to buyers in late Jan. 2018.

In the third phase, the company plans to start selling condominiums in Jan. 2017.



#### ◎ **Pressance Legend Lake Biwa**

The company will construct a family condominium building with a total of 486 units beside the Lake Biwa in Shiga Prefecture. This is the largest condominium project around the Lake Biwa, and all of the units will have a lake view. It has easy access to Kyoto City as well as Osaka, and is near to a large shopping center, etc. to enrich the lifestyles of residents. The company started selling condominiums in Aug. 2016, and sold 168 prioritized units (35%) in two months till the end of Sep. 2016.

Sales activities began favorably before the units are handed over to buyers in early May 2018.

In the first phase, the company plans to start selling them in Jan. 2017.



### (2) Area strategy—foray into new areas

The company decided to make inroads into “Hiroshima” and “Hakata” as new target areas of its business, and is proceeding with some projects.

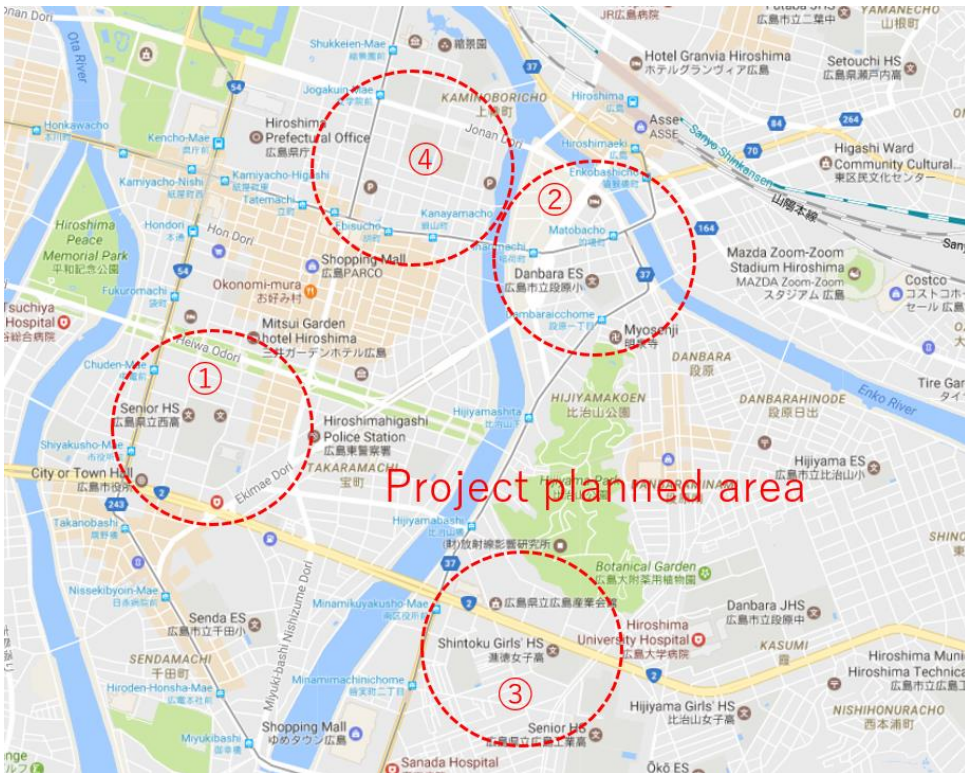
Both areas have large populations, and enterprises, schools, commercial facilities, etc. are concentrated there. Accordingly, promising condominium markets exist there.

These areas are also well-known as sightseeing spots, and visitors from foreign countries are expected to increase. Therefore, the company is operating hotel business, too.

Like the business operation in the Tokai and Chukyo regions, the company plans to supply products suited for each region, including single-room, family, and combined condominiums, hotels, and single-family houses, and expand its market share steadily based on its community-based business.

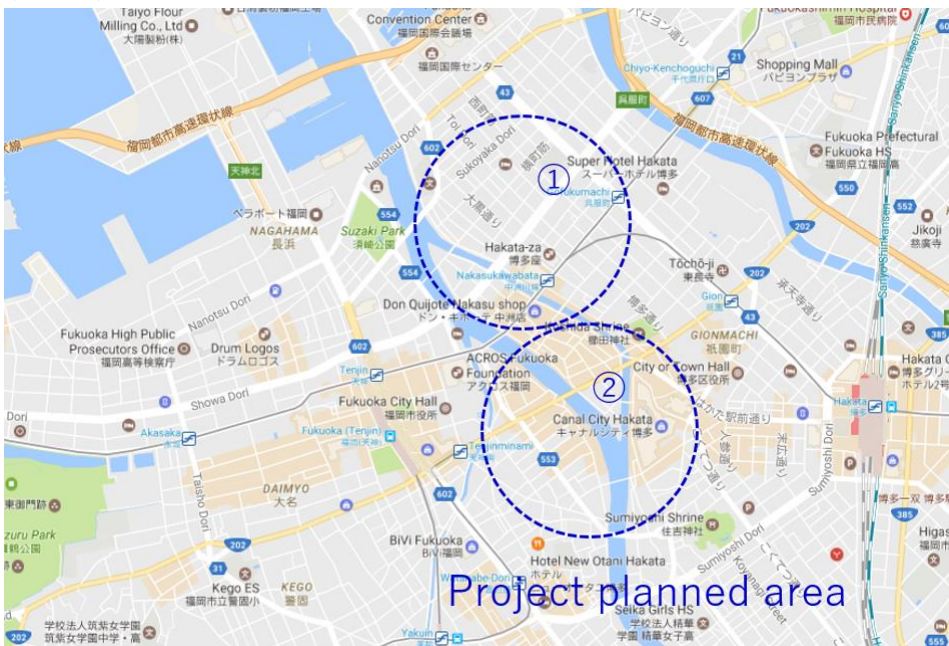
# Bridge Report BS Bridge Salon

## (Hiroshima)



① Kokutaiji, Naka-ku	Single-room condominium 96 rooms
② Matoba-chou, Minami-ku	Family condominium 84rooms
③ Minami, Minami-ku	Family condominium 129rooms
④ Nobori-chou, Naka-ku	Hote 155rooms

## (Hakata)



① Shimo Gofuku-chou, Hakata-ku	Family condominium 56 rooms
② Kami Kawabata-chou, Hakata-ku	Hotel 223rooms

### (3) M & A Strategy

In Nov. 2016, the company reorganized Sanritsu Precon Co., Ltd., which has supplied a total of 172 condominium buildings and 4,026 units mainly in Okazaki City, Aichi Prefecture, into a 100% subsidiary.

Sanritsu Precon Co., Ltd. was founded in 1976.

It keeps high price competitiveness based on its integrated system for procuring land for condominiums, planning, designing, constructing, selling, and managing condominiums.

Its presence is strong in the Higashimikawa region (including Toyohashi, Toyokawa, and Gamagori; about 760,000 people) and Hamamatsu (about 800,000 people) where there are few condominium developers and populations are large. Pressance Corporation believes that the business area of Sanritsu Precon will help expand the condominium business throughout the Tokai region and improve brand power further.

It is expected that the information on land for condominiums will be shared and Sanritsu Precon will construct condominiums of Pressance Corporation at lower cost, producing some synergetic effects.

### (4) Operation of Hotel business

The company is developing the 11 hotels tabulated below.

While considering the following three plans, the company will accumulate its track record continuously, and proceed with the hotel business in a multifaceted manner, while considering the sale to REIT and funds.

A	Sale to hotel operating companies
B	Outsourcing the operation of hotels owned by Pressance to hotel operating companies
C	Joint operation of hotels owned by Pressance under the brand names of Pressance and hotel operating companies

Scheduled date of completion	Address	Operation method	Outline
Term ending Mar. 2018	Inari, Naniwa-ku, Osaka-shi	A	In the vicinity of JR Nanba Station; 72 units
	Motomachi, Naniwa-ku, Osaka-shi	A	In the vicinity of JR Nanba Station; 155 units
	Hiranomachi, Chuo-ku, Osaka-shi	C	In the vicinity of Kitahama Station of Sakaisuji Subway Line; 111 units
Term ending Mar. 2019	Shikitsuhigashi, Naniwa-ku, Osaka-shi	A	In the vicinity of Daikokucho Station of Midosuji Subway Line; 300 units
	Minamisenba, Chuo-ku, Osaka-shi	To be determined	In the vicinity of Shinsaibashi Station of Midosuji Subway Line; 125 units
	Omiya-dori, Shimogyo-ku, Kyoto-shi	A	In the vicinity of Omiya Station of Hankyu Line; 115 units
	Nobori-cho, Naka-ku, Hiroshima-shi	B	In the vicinity of Ebisucho Station of Hiroden Main Line; 155 units
	Kamikawabatamachi, Hakata-ku, Fukuoka-shi	C	In the vicinity of Nakasukawabata Station of Hakozaki Line of Fukuoka City Subway; 223 units
	Nishimiyahara, Yodogawa-ku, Osaka-shi	A	In the vicinity of JR Shin-Osaka Station; 140 units
	Minato-cho, Naka-ku, Yokohama-shi	C	In the vicinity of JR Kannai Station; 301 units
	Around Honmachi, Chuo-ku, Osaka-shi	To be determined	In the vicinity of Honmachi Station of Midosuji Subway Line; 197 units



### (5) Overseas business

In Sep. 2016, the company founded the new company “Prosehre Co., Ltd.,” which aims to finance the real estate development projects, etc. conducted by competent local business partners around ASEAN countries, through the joint capital injection with Sanei Architecture Planning Co., Ltd. (1st section of TSE, 3228).

Prosehre Co., Ltd. established a joint venture “Tien Phat Tan Thuan Corporation” with Tien Phat, which belongs to the corporate group of a leading Vietnamese private comprehensive construction company. It will join the project for developing condominiums organized by Ho Chi Minh City.

As the Vietnamese economy has grown steadily, its population is now concentrated in urban areas, and it is expected that middle-income citizens will increase. Accordingly, the needs for condominiums in urban areas are growing.

As the amended housing act was enforced in Jul. 2015, the regulations on the purchase of real estate by foreign people were eased, and the market for condominiums is expected to grow further.

In this environment, the company plans to actively carry out business outside Japan, too.

## 5. Conclusions

Sales and profit declined year on year, but exceeded initial estimates, indicating healthy progress as a whole. In the short term, we would like to pay attention to how much the company will earn from the 3rd quarter. In the medium term, it is favorable that their growth strategies are progressing steadily. Nevertheless, we look forward to seeing the concrete measures for establishing the presence of the company in the Tokyo Metropolitan Area, which is one of their goals.

<Reference: regarding corporate governance>

### ◎ Organization category, and the composition of directors and auditors

Organization category	Company that has an audit committee, etc.
Directors	11 directors, including 3 external ones

### ◎ Corporate governance report

Pressance Corporation submitted the latest corporate governance report on June 23, 2016.

<Major principles that have not been followed, and reasons>

Principle	Reason for failure to follow
【Supplementary principle 3-1-2 Disclosure of information in English】	As of now, the company does not disclose information in English, but recognizes the importance of overseas investors, and considers it as an issue to be discussed.
【Supplementary Principle 4-11-3 Evaluation of the effectiveness of the board of directors】	The analysis and evaluation of the effectiveness of the entire board of directors and the disclosure thereof are to be discussed.

<Major disclosed principles>

Principle	Disclosed content
【 Principle 1-4 So-called strategically-held shares】	(1) Pressance may hold the shares of a business partner, in order to foster a good relation with the partner and conduct business smoothly. The company will keep holding the shares of business partners as long as they are considered to improve the corporate value of the company, but the company will review them every year, and discuss the sale of the shares that are not worth holding while considering share prices, etc. (2) The basic policy is to exercise the voting rights for the owned shares,

# Bridge Report



	<p>while considering whether or not business partners' decisions would improve the corporate value of Pressance.</p>
<p><b>【Principle 5-1 Policy for construction dialogue with shareholders】</b></p>	<p>Pressance considers shareholders and investors as important stakeholders, and will make constructive dialogues with shareholders and investors by using various opportunities, including general meetings of shareholders, in order to achieve sustainable growth and improve its corporate value.</p> <ul style="list-style-type: none"> <li>•The dialogues with shareholders and IR activities are managed by the directors in charge of them in the management department, and they make efforts to actualize constructive dialogues with shareholders. For smooth dialogues with shareholders, the accounting and general affairs departments cooperate in supporting IR activities.</li> <li>•As a means for dialogue with shareholders and investors, the company holds individual interviews with shareholders and institutional investors via securities firms.</li> <li>•The directors in charge of dialogue in the management department report the opinions and worries of shareholders, which are grasped through the dialogues with them, to the board of directors if necessary, and reflect them in the business administration of Pressance.</li> <li>•The insider information in dialogues is handled in accordance with the regulations for the management of insider transactions.</li> </ul>

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