COMPANY RESEARCH AND ANALYSIS REPORT

Pressance Corporation Co., Ltd.

3254

Tokyo Stock Exchange First Section

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Index

Summary ———— 01

1. Business details ···· 01
2. Results trends ···· 01
3. Growth strategy ···· 02
4. Shareholder returns ···· 02

Company overview ———— 03

1. Company overview ···· 03
2. History ···· 04
3. Business breakdown ···· 05

Business overview ———— 06

1. Condominium market trends ···· 06
2. Pressance's position ···· 06
3. Strengths and edge ···· 07

Results trends ———— 08

1. 3Q FY3/17 full-year results ···· 08
2. Financial position and management indicators ···· 09

Business outlook ———— 10

Medium/long term topics ———— 11

1. Advanced acquisition of three years' worth of land for condominiums ···· 11
2. Hotel business now up to 20 properties ···· 12

Shareholder return policy ———— 14

Summary

Raises annual forecast, projecting sharp increase in sales and earnings for FY3/18. Also raises annual dividend forecast to ¥29.40 per share as growing earnings and rising dividend payout ratio accelerate the increase in dividend

Pressance Corporation Co., Ltd. <3254> (hereafter, also “the Company”) is an independent developer of family and studio condominiums that handles planning, development and sales. It is the biggest supplier in the Kinki region and Chukyo-Tokai regions as well as a solid player just behind the leading pack nationwide. The company offers the Pressance Series of condominiums, conveniently located less than 10 minutes’ walk from major railway stations, designed and developed under the company brand. Another strength is a highly motivated sales force. As a result, few units remain unsold. Pressance has grown steadily since its establishment in 1997. It listed on the Second Section of the Tokyo Stock Exchange in 2007. As the Company has kept growing even after the Lehman Brothers bankruptcy, it was listed on the First Section of that stock market in 2013 and was included in the JPX-Nikkei Index 400 in 2015.

1. Business details

Pressance mainly develops and sells studio and family condominiums. Studio condominium sales, a core business since being founded, involve construction of buildings with units that offer 20-50 square meters at very convenient sites located within five minutes on foot from major train stations in city centers. And the company sells these units under the Pressance brand. This business generated 28.1% of total sales by 3Q in FY3/18. Family condominium sales involve construction of buildings with units that offer 50-100 square meters at sites with attractive environments located within 10 minutes on foot from major train stations. And the company sells these units under Pressance Loger and other brands. It provided 44.7% of 3Q FY3/18 sales. In addition, 16.9% of total sales were provided from entire building sales, 2.7% from hotel sales and 3.4% from other businesses.

Pressance’s business model stands out in its formation of strong advantages through a mutually beneficial cycle of sales capabilities that highly motivated teams sell out inventories with internal competition, financial clout to obtain attractive terms from financial institutions, aggressive land procurement capabilities and product strengths through robust cost performance.

2. Results trends

For the first nine months of FY3/18, Pressance reported consolidated results with ¥101,024mn in net sales (+38.5% YoY), ¥16,891mn in operating profit (+35.7%), ¥16,557mn in ordinary profit (+34.7%) and ¥11,247mn in net profit attributable to owners of parent (+36.6%) while YoY growth exceeded 30% in sales and earnings at every level. In addition to strong growth in sales of studio and family condominiums, the increase in land acquisition allowed the Company to substantially expand entire building sales as well. Also, sales growth came from two hotel properties that began delivery during the period. In particular, the Company pointed to stronger-than-expected growth in sales of family condominiums as the main factor that led to the upward revision of its annual forecast.

Pressance issued an upward revision to its consolidated annual forecast along with the release of Q3 FY3/18 results, raising its estimates for both sales and earnings. The Company is forecasting annual net sales of ¥130,664mn (+29.3% YoY), operating profit of ¥20,144mn (+28.7%), ordinary profit of ¥19,572mn (+27.0%), and net profit attributable to owners of parent of ¥13,368mn (+27.0%). In this relation, the Company noted that planned sales of the extra-large-scale 337-unit Pressance Legend Sakaisuji Honmachi Tower were proceeding apace with more than 300 sales contracts already finalized. Adding sales already booked and sales expected to be booked during this fiscal year as of the end of Q3, the sum is already equal to 99.2% of the upwardly revised annual forecast. Sales results for the first nine months of FY3/18 give the Company 77.3% of its annual net sales forecast (versus 72.2% at this time last year) and 83.9% of its annual operating profit forecast (versus 79.6%). Taking into further consideration of Pressance's reputation for its accuracy of forecasts, we conclude that the Company will most likely meet its upwardly revised annual forecasts in both sales and earnings.

3. Growth strategy

Pressance has actively purchased condominium lands, leveraging its ample retained earnings. It reported ¥157,900mn in real estate for sale in progress and ¥15,646mn in real estate for sale at the end of 3Q FY3/18. Asset value of land sites, which is determined by subtracting construction costs and other expenses from the total, comes to ¥106,173mn. On a condominium basis, this works out to 6,701 family condominium units (about 3.4 years' worth of sales assuming around 2,000 units are sold every fiscal year), 6,187 studio condominium units (about 3.1 years' worth of sales assuming around 2,000 units are sold every fiscal year) and 2,604 units for entire building sales (about 2.9 years' worth of sales assuming around 900 units are sold every fiscal year). The company's ability to actively procure land reflects not only capital resources but also information-gathering capabilities. Since the Company has continued to buy land after the Lehman bankruptcy and excel in rapid reviews as well as responses, it can advantageously obtain primary information from land brokers.

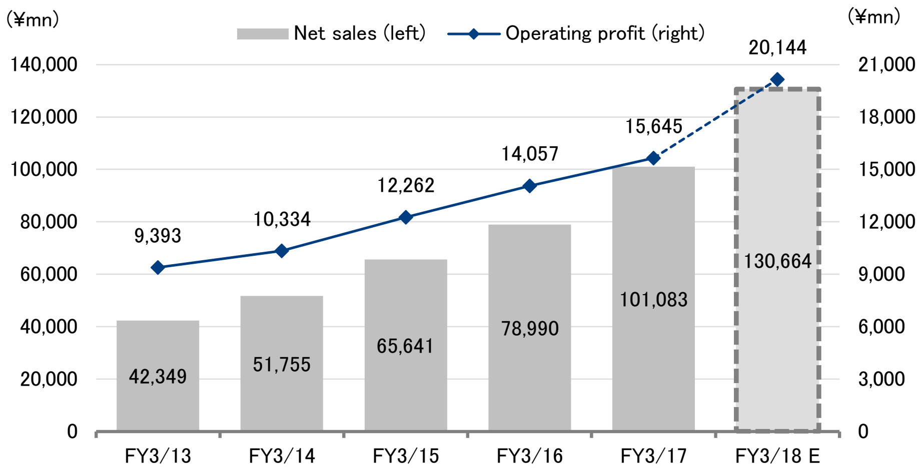
4. Shareholder returns

The Company also raised its dividend forecast for FY3/18 for three consecutive years. Reflecting the upward revision to its earnings forecast released at the end of Q3, the Company raised its annual dividend to ¥29.40 per share (¥12.50 at the end of 1H and ¥16.90 at the end of 2H) versus its initial forecast of ¥25.00 (¥12.50 at the end of 1H and ¥12.50 at the end of 2H). Also the Company indicated its intension to continue increasing its dividend payout ratio. Compared with payout ratio of 9.8% in FY3/16, the new dividend forecast puts the expected payout ratio for FY3/18 at 13.0%. Increasing its dividend payout ratio in addition to earnings raise, shareholders can expect dividends to rise at an even faster pace in the future.

Key Points

- Company raises annual forecast, projecting sharp increase in sales and earnings for FY3/18
- Annual dividend forecast raised to ¥29.40 per share. Rising earnings coupled with higher dividend payout ratio promise to accelerate pace of dividend hikes
- Bringing price-competitive condominiums to market in Kinki and Chukyo-Tokai regions, where market shows no sign of overheating as it does in the Tokyo area

Consolidated annual business results



Source: Prepared by FISCO from the Company's financial results

Company overview

No. 1 condominium developer in Kinki and Chukyo-Tokai regions. Mainstay is studio and family condominiums but also engaged in hotel development

1. Company overview

Pressance is an independent developer of family and studio condominiums that handles planning, development and sales. It is the biggest supplier in the Kinki region and Chukyo-Tokai regions as well as the second-largest nationwide in terms of supply units. The company offers the Pressance Series of condominiums, conveniently located less than 10 minutes' walk from major railway stations and using a proprietary design and development. Also its highly motivated sales force results in so few unsold inventories. Pressance has grown steadily since its establishment in 1997. It listed on the Second Section of the Tokyo Stock Exchange in 2007. Having suffered little from the Lehman Brothers bankruptcy, the Company was listed on the First Section of that stock market in 2013 and was included in the JPX-Nikkei Index 400 in 2015.

2. History

Pressance's predecessor was Nikkei Prestige Co., Ltd., which was established in Osaka in October 1997 to sell studio condominiums. The Company was renamed Pressance Corporation in April 2002. It steadily diversified into peripheral areas and expanded business scope, such as offering building management as well as insurance agency services in 1998, starting sales of family condominiums and offering real estate rental management services in 1999. Early in 2000s, Pressance began developing properties itself and extended its business area to the Chukyo-Tokai and Kanto regions. It established Pressance Realta Co., Ltd. to handle brokerage and mediation for existing condominiums in 2008, acquired Tryst Co., Ltd., which operates a construction business and established Pressance Guarantee Co., Ltd. to offer rent fee payment guarantee service in 2014. It established Pressance Real Estate Co., Ltd. as a real estate solution consultancy in May 2015. Although the real estate industry suffered greatly in the aftermath of the Lehman Brothers bankruptcy (September 2008), the Company maintained its performance, becoming a solid player just behind the leading pack in the condominium business. Pressance listed on the Second Section of the Tokyo Stock Exchange in 2007 and on the First Section in 2013. The Company is highly rated on the stock exchange, being included in the JPX-Nikkei Index 400 in 2015 and selected as a component stock of the JPX-Nikkei Mid and Small Cap Index in 2016.

History

Date	Main events
Oct. 1997	Established Nikkei Prestige Co., Ltd.
Oct. 1997	Obtained real estate broker license from the Governor of Osaka
Nov. 1998	Sold Pressance Namba Higashi, the first building carrying the company's brand
Dec. 1998	Founded Pressance Community Co., Ltd. (currently Pacific Co., Ltd.), to offer building management and insurance agency services
June 1999	Created Nikkei Assist Co., Ltd. (now Pressance Jyuhan Co., Ltd.), to sell family condominiums
June 1999	Stared offering rental property management services
July 2000	Sold Pressance Shinsaibashi EAST, the first property that the company had itself developed
Apr. 2002	Renamed Pressance Corporation
May 2003	Sold Pressance Nagoya-jo Mae, the first property that the company developed itself in the Tokai region
Feb. 2005	Opened the Nagoya Sales Center
July 2005	Elevated Nagoya Sales Center to branch status
Dec. 2007	Listed on the Second Section of the Tokyo Stock Exchange
Aug. 2008	Established Room Pro Co., Ltd. (now Pressance Realta Co., Ltd.), to sell and broker existing condominiums
Dec. 2008	Opened a Tokyo branch
Oct. 2013	Listed on the First Section of the Tokyo Stock Exchange
Apr. 2014	Acquired a stake in construction firm Tryst Co., Ltd., making it a subsidiary
Aug. 2014	Set up Pressance Guarantee Co., Ltd., to offer rent guarantee services
Aug. 2015	Established Pressance Real Estate Co., Ltd., as a real estate solutions consultancy
Aug. 2015	Included in the JPX-Nikkei Index 400
Sep. 2016	Founded PROSEHRE Co., Ltd. in order to participate in real estate development projects in ASEAN and neighboring countries
Nov. 2016	Acquired all shares of Sanritsu precon Co., Ltd. and made it a subsidiary
Dec. 2016	Selected as a component stock of the JPX-Nikkei Mid and Small Cap Index
Jan. 2017	Designed as loan margin trading issue
Apr. 2017	Acquired all shares of Sanritsu precon Co., Ltd. and made it a wholly-owned subsidiary Lala place Co., Ltd.

Source: Prepared by FISCO from Company materials

3. Business breakdown

Pressance mainly develops and sells studio and family condominiums. Studio condominium sales, a core business since being founded, booked 1,651 units and generated 28.1% of total sales from April through December, 2017 in FY3/1/8. This business involves construction of buildings with units that offer 20-50 square meters at highly convenient sites located within five minutes on foot from major train stations and sales of these units under the Pressance brand. Customers generally purchase studio condominiums as investments for their financial assets, and target customers are not only high-income and wealthy individuals but also general salaried employees with stable income.

Family condominium sales booked 1,293 units and provided 44.7% of 3Q FY3/18 sales. This business consists of construction of buildings with units that offer 50-100 square meters at sites with attractive environments located within 10 minutes on foot of major train stations and sales of these units under Pressance Loger and other brands. Subsidiary Pressance Jyuhan Co., Ltd. manages sales of family condominium.

The third largest business is building sales, in which Pressance sells entire developed buildings of studio condominiums to other condominium retailers; this accounted for 16.9% of total sales during the first nine months of FY3/18. The Company added hotel property sales as a new segment in FY3/18, focusing on developing and selling business hotels; it delivered two hotel properties (total 183 rooms) to buyers during the first nine months of FY3/18, generating 2.7% of total sales. "Other" businesses include a real estate rental business that handles self-developed and owned properties, a building management business, rental property management business and an insurance agency; these businesses accounted for 3.4% of total sales during the first nine months of FY3/18.

Business breakdown in 3Q FY3/18

Business segments	Business description	Sales volume (number of units)	Sales (¥mn)	Sales composition (%)
Real estate sales business	Studio condominium sales	1,651	28,350	28.1%
	Family condominium sales	1,293	45,177	44.7%
	Building sales	1,086	17,073	16.9%
	Hotel sales	183	2,744	2.7%
	Other housing sales	35	1,237	1.2%
	Other real estate sales	2	2,111	2.1%
	Peripheral businesses		855	0.8%
Other businesses	Rental of company's properties, etc.		3,474	3.4%
Total		4,250	101,024	100.0%

Source: Prepared by FISCO from the Company's financial results

Business overview

Bringing price-competitive condominiums to market in Kinki region, where condominium market shows no sign of overheating as it does in Tokyo area

1. Condominium market trends

During the 12 month-period from January through December 2017, the Tokyo metropolitan area displayed clear signs of overheating as the number of condominiums put on the market rose 0.4% YoY to 35,898 units while the average price rose 7.6% to ¥59.08mn. In contrast, the Kinki region, where Pressance makes its home base, showed no signs of overheating as the number of condominiums put on the market rose 4.7% to 19,560 units while average price declined 2.1% to ¥38.36mn. Another indicator of conditions in the condominium market is the sales contract ratio (number of units for which a sales contract has been completed divided by the number of units supplied to the market during the term). While contract ratio 70% is viewed as the dividing line between good and bad market conditions, the Tokyo metropolitan area reported an average contract ratio of 68.1% in 2017 in contrast with 76.1% for the Kinki region. The ratio for the Kinki region consistently stayed above 70% throughout the year. We see this is an indication that the greater affordability of condominiums in the Kinki region has fostered a strong underlying level of real demand in contrast with the Tokyo area. These market conditions are naturally favorable from the perspective of Pressance, who focuses mainly on development projects in the Kinki region.

Designed as loan margin trading issue

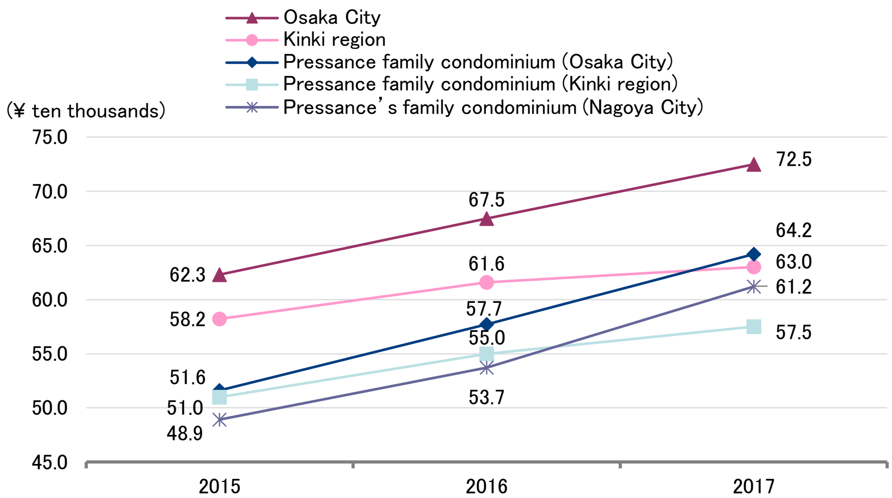
	Number of condominiums sold				Condominium price			
	2015 (units)	2016 (units)	2017 (units)	YoY (%)	2015 (¥mn)	2016 (¥mn)	2017 (¥mn)	YoY (%)
Metropolitan Tokyo	40,449	35,772	35,898	0.4%	5,518	5,490	5,908	7.6%
Kinki region	18,930	18,676	19,560	4.7%	3,788	3,919	3,836	-2.1%

Source: Prepared by FISCO from the Real Estate Economic Institute Co., Ltd.'s "Nationwide Condominium Market Trends – 2017"

2. Pressance's position

According to the latest Nationwide Condominium Market Trends report, released by the Real Estate Economic Institute on February 21, 2018, Pressance further improved its position in the condominium market in 2017, jumping to the No. 2 from No. 4 in 2016 in terms of the number of condominium units started selling to market. Pressance was even stronger in regional markets, maintaining the No.1 condominium supplier position in the Kinki region for eight consecutive years, also No. 1 in Nagoya City for seven consecutive years and in the Chukyo-Tokai region for six consecutive years. Pressance's strength in these regional markets reflects its longstanding relationships with local real estate land brokers to help it acquire land. Other strengths are reasonable price to meet customer needs with efficient advertisements and promotion focused on the regions. The price competitiveness of Pressance condominiums is evident from a quick price comparison. In 2017 the average price for a Pressance family condominium in the Kinki region was ¥575,000 per square meter, comparing with the market average price for the region's condominiums (including studios type) of ¥630,000 per square meter.

Condominium price per square meter
(Kinki region market average vs. Pressance)



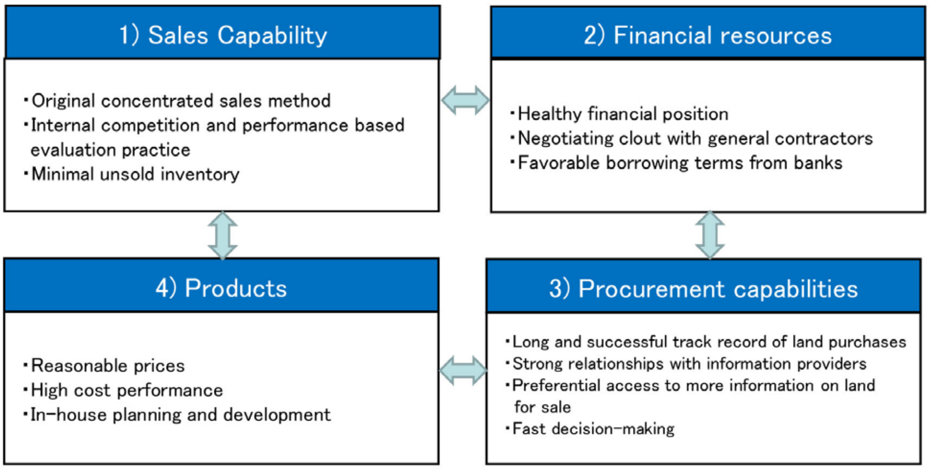
Source: Prepared by FISCO from the Company's results briefing materials

3. Strengths and edge

Pressance started selling studio condominiums, and its solid sales capability is a vital strength. Management encourages internal competition and enhances motivation among sales forces while all the sales forces intensively sell a certain single property during a certain period of time. Its educational program of one-on-one field guidance for new employees with their manager functions effectively, aiming to bring them repeatedly through success experiences. Pressance also offers a highly transparent evaluation system with the opportunity for increase in salary and promotions twice a year, thoroughly based on sales results regardless of age or seniority. Pressance also realizes a beneficial cycle in finance by minimizing its inventory of finished units and promptly repaying borrowings. JPX Nikki Index 400 added Pressance as a component stock in August 2015 in light of its excellent financial conditions. Healthy financial status enables proactive land purchasing and helps obtaining advantageous terms in negotiations with financial institutions as well as general contractors. Pressance selects sites within 10 minutes walking distance from major city-center train stations*, emphasizing sustainable high asset value for a long term. In-house planning and development excels at provision of products with well-balanced features and high cost performance in a reasonable price range. The mutually beneficial cycle among sales capabilities, sound financial position, procurement capabilities and product offerings generates strong competitive advantages.

* Pressance is able to carry out favorable land acquisition owing to its strong relationships with land information providers

Strengths and edge



Source: Prepared by FISCO from Company materials

Results trends

For Q3 FY3/18, YoY growth topping 30% for sales and earnings at every level

1. Financial results as of 3Q FY3/17

For the first nine months of FY3/18, Pressance reported net sales of ¥101,024mn (+38.5% YoY), operating profit of ¥16,891mn (+35.7%), ordinary profit of ¥16,557mn (+34.7%) and net profit attributable to owners of parent of ¥11,247mn (+36.6%) with YoY growth surpassing 30% for sales and earnings at every level. In addition to strong growth in sales of its core products such as studio and family condominiums, increased land acquisition allowed the Company to substantially increase entire building sales as well. Another boost to sales came from two hotel properties that began delivery during the period. In particular, the Company pointed to stronger-than-expected growth in sales of family condominiums as the main factor that led to the upward revision of its annual forecast.

The cost of sales ratio was up slightly, rising 1.4ppts YoY to 72.9%, but the impact of this was largely offset by a decline in the SG&A expense ratio, which declined by 1.1ppts to 10.3%, keeping the operating profit margin at a high 16.7% (down only 0.4ppts). The decline in the SG&A expense ratio reflects lower-than-expected spending on advertising and promotion amid a strong sales environment.

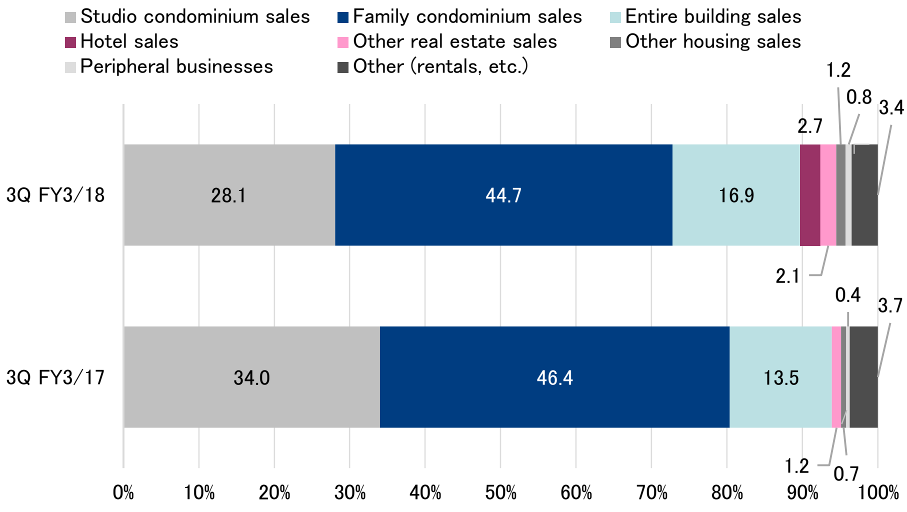
Business result for 3Q FY3/17

(¥mn)

	3Q FY3/17		3Q FY3/18		
	Results	Composition	Results	Composition	YoY (% increase)
Net sales	72,961	100.0%	101,024	100.0%	38.5%
Cost of sales	52,169	71.5%	73,692	72.9%	41.3%
Gross profit	20,791	28.5%	27,331	27.1%	31.5%
SG&A expenses	8,344	11.4%	10,440	10.3%	25.1%
Operating profit	12,447	17.1%	16,891	16.7%	35.7%
Ordinary profit	12,292	16.8%	16,557	16.4%	34.7%
Net profit attributable to owners of parent	8,235	11.3%	11,247	11.1%	36.6%

Source: Prepared by FISCO from the Company's financial results

Sales composition



Source: Prepared by FISCO from the Company's financial results

Growth in assets driven by increase in real estate for sale in progress; stability ratings remains high

2. Financial position and management indicators

Total assets increased substantially with a gain of ¥39,183mn from the end of the previous fiscal year to ¥224,490mn. Main additions were ¥35,725mn in real estate for sale in progress, ¥1,322mn in real estate for sale and ¥831mn in cash and deposits.

As of the end of Q3 FY3/18, the Company's balance sheet showed total liabilities of ¥152,712mn, an increase of ¥27,020mn over the end of FY3/17. The increase in liabilities was driven in large part by a ¥6,666mn increase in short-term loans payable, ¥9,155mn increase in long-term loans payable, ¥6,723mn increase in the current portion of long-term loans payable, and ¥7,000 increase in bonds with subscription right to shares.

In terms of financial ratios, the current ratio of 347.5% shows that the company is rated high for short-term financial stability. The equity ratio of 31.1% reflects that the company has consistently kept solid financial stability for mid and long term, utilizing financial leverage to boost rapid growth.

Consolidated balance sheet and management indicators

(¥mn)

	As of March 31, 2017	As of December 31, 2017	Change
Current assets	171,810	209,327	37,517
Cash and deposits	30,534	31,365	831
Real estate for sale	14,324	15,646	1,322
Real estate for sale in progress	122,174	157,900	35,725
Non-current assets	13,497	15,162	1,665
Total assets	185,307	224,490	39,183
Current liabilities	49,438	60,238	10,799
Current portion of long-term loans payable	23,970	30,693	6,723
Non-current liabilities	76,253	92,474	16,221
Bonds with subscription right to shares	-	7,000	7,000
Long-term loans	75,691	84,846	9,155
Total liabilities	125,691	152,712	27,020
Total net assets	59,615	71,777	12,162
Total liabilities and net assets	185,307	224,490	39,183
Stability			
Current ratio (current assets ÷ current liabilities)	347.5%	347.5%	-
Equity ratio (equity ÷ total assets)	32.0%	31.1%	-

Source: Prepared by FISCO from the Company's financial results

Business outlook

Company raises annual forecast, projecting significant increase in sales and earnings for FY3/18

Along with the release of Q3 FY3/18 results, Pressance issued an upward revision to its consolidated annual forecast, raising its projection of both sales and earnings. The Company is forecasting annual net sales of ¥130,664mn (+29.3% YoY), operating profit of ¥20,144mn (+28.7%), ordinary profit of ¥19,572mn (+27.0%), and net profit attributable to owners of parent of ¥13,368mn (+27.0%). In this relation, the Company noted that more than 300 sales contracts have been already finalized for extra large-scale 337-unit Pressance Legend Sakaisuji Honmachi Tower. Adding already booked sales and orders expected to be booked during this fiscal year as of the end of Q3, the sum is already equal to 99.2% of the upwardly revised sales forecast for the full year. Sales results for the first nine months of FY3/18 give the Company 77.3% of its full-year sales forecast (versus 72.2% at this time in the last year) and 83.9% of its full-year forecast for operating profit (versus 79.6%). Taking into further consideration of Pressance's reputation for accurate forecasts, we conclude that the Company will most likely meet its upwardly revised sales and earnings forecasts for the full year.

Outlook for FY3/18 consolidated results

(¥mn)

	FY3/17		FY3/18				
	Results	Composition	Initial forecast	Revised forecast	Composition	YoY	3Q FY3/18 progress vs. full-year target
Net sales	101,083	100.0%	126,562	130,664	100.0%	29.3%	77.3%
Operating profit	15,645	15.5%	18,301	20,144	15.4%	28.7%	83.9%
Ordinary profit	15,414	15.2%	17,818	19,572	15.0%	27.0%	84.6%
Net profit attributable to owners of parent	10,526	10.4%	12,176	13,368	10.2%	27.0%	84.1%

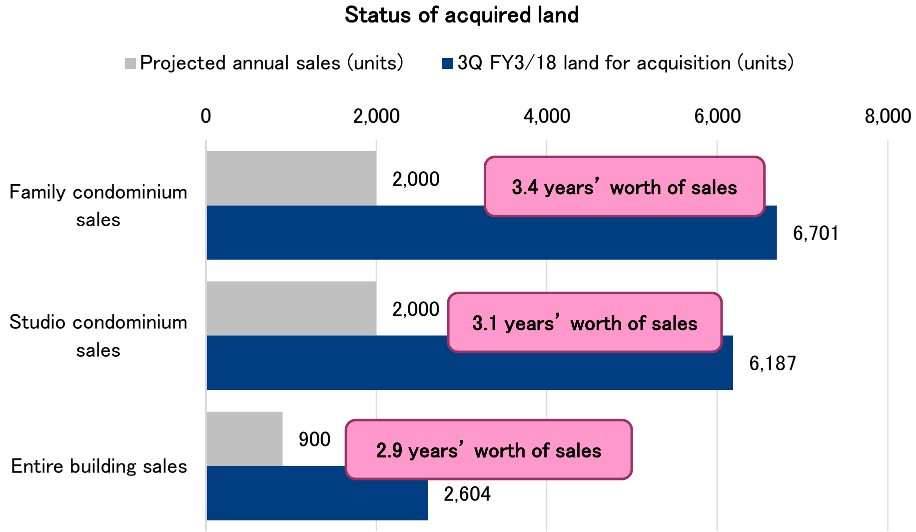
Source: Prepared by FISCO from the Company's financial results

Medium/long term topics

Have acquired three years' worth of land to build condominiums, also have 20-property hotel business

1. Advanced acquisition of three years' worth of land for condominiums

Pressance has actively purchased lands for condominiums, leveraging its ample retained earnings. It reported ¥157,900mn in real estate for sale in progress and ¥15,646mn in real estate for sale at the end of 3Q FY3/18. Asset value of land sites, which is determined by subtracting construction costs and other expenses from the total, comes to ¥106,172mn. On the number of unit basis, this works out to 6,701 family condominium units (about 3.4 years' worth of sales assuming around 2,000 units are sold every fiscal year) 6,187 studio condominium units (about 3.1 years' worth of sales) and 2,604 units for entire building sales (about 2.9 years' worth of sales assuming around 900 units are sold every fiscal year). Capital resources and also information gathering capabilities enhance the Company's active procurement power. Since the Company continued to buy land after the Lehman bankruptcy and excel in rapid assessments and responses, it can advantageously obtain primary information from local real estate firms.



Source: Prepared by FISCO from the Company's results briefing materials

2. Hotel business now up to 20 properties

The increase in inbound tourists visiting Japan has led to a serious shortage of hotels, and strong demand exists along the so-called "Golden Route" of Japan's most popular sites (metropolitan Tokyo, Hakone and Mt. Fuji, Kyoto, and Osaka). On some lands acquired mostly in the Kansai region, the Company has been developing hotels at the sites located around downtown centers since such locations meet needs as hotels rather than condominiums with the objective of potential returns. As of the end of December 2017, Pressance does business on 20 hotel properties in total, including 18 properties that are either fully developed or under development, one property undergoing renovation and one acquired existing property. The Company expects to complete construction on three of these properties (all in Osaka) during FY3/18, seven more during FY3/19 (three in Osaka, three in Kyoto and one in Akita) and nine more in FY3/20 (two in Osaka, three in Kyoto, one in Hiroshima, one in Fukuoka, one in Naha, and one in Yokohama). Pressance gives priority to selling developed hotels to hotel operators, REIT or business entities, emphasizing capital efficiency, rather than managing a hotel property with hotel operators on its own. However, the Company also considers the possibility to sell after operating some properties for a while and building up a track record of actual returns. The hotel in Akita acquired this fiscal year is undergoing renovations to restore an old property near JR Akita Station in the Tohoku area. Although the Company has focused on the Kansai region, it would develop properties nationwide, depending on the prospective value.

Hotel Business

	Location	Management pattern	Nearest station	Number of rooms
Scheduled Completion in FY3/18	Osaka, Inari, Naniwa-ku	A (delivery completed)	JR Namba Station	72
	Osaka, Motomachi, Naniwa-ku	A (delivery completed)	JR Namba Station	111
	Osaka, Hirano-machi, Chuo-ku	A (delivery scheduled for following term)	Kitahama Station (Subway Sakaisuji Line)	116
Scheduled Completion in FY3/19	Osaka, Shikitsu-higashi, Naniwa-ku	A	Daikokucho Station (Subway Midosuji Line)	300
	Osaka, Minami-semba, Chuo-ku	A	Shinsaibashi Station (Subway Midosuji Line)	124
	Kyoto, Omiya-dori, Shimogyo-ku	A	Omiya Station (Hankyu Railway)	122
	Osaka, Nishi-miyahara, Yodogawa-ku	A	JR Shin-Osaka Station	120
	Kyoto-city, Nakagyo-ku, Tenjinyamacho	A	Shijo Station (Subway Karasuma Line)	63
	Kyoto-city, Higashiyama-ku, Yasakadori	B	Kiyomizugojo Station (Keihan Electric Railway)	7
	Akita-city, Nakadori 3chome*	B	Akita Station (Akita-Shinkansen, JR Uetsu Main Line)	238
Scheduled Completion in FY3/20	Kyoto-city, Shimogyo-ku, Aburanokojidori	A	Gojo Station (Kyoto Municipal Subway)	166
	Hiroshima-city, Naka-ku, Noboricho	B	Ebisucho Station (Hiroshima Electric Railway)	126
	Yokohama-city, Naka-ku, Onoecho	B	JR Kannai Station	277
	Osaka-city, Chuo-ku, Minamihonmachi	A	Honmachi Station (Subway Midosuji Line)	174
	Fukuoka-city, Hakata-ku, Kamikawabatamachi	A	Nakasukawabata Station (Subway Hakozaki Line)	204
	Kyoto-city, Minami-ku, Nishikujozaocho	B	JR Kyoto Station	119
	Osaka-city, Naniwa-ku, Motomachi 2chome	A	JR Namba Station	404
	Kyoto-city, Nakagyo-ku, Oicho	B	Karasuma Marutamachi Station (Subway Karasuma Line)	12
	Naha-city, Nishi 2chome	A	Asahibashi Station (Okinawa Monorail)	234
Purchased & Owned in FY3/17	Kobe-city, Chuo-ku, Gokodori	B	JR Sannomiya Station	135

Note: Due to change in plans or other factors, hotel management pattern (A–sale to hotel operator, or B–held by Pressance) the number of rooms and date of completion may be subject to change
* Newly acquired property, undergoing renovation
Source: Prepared by FISCO from the Company's results briefing materials

Shareholder return policy

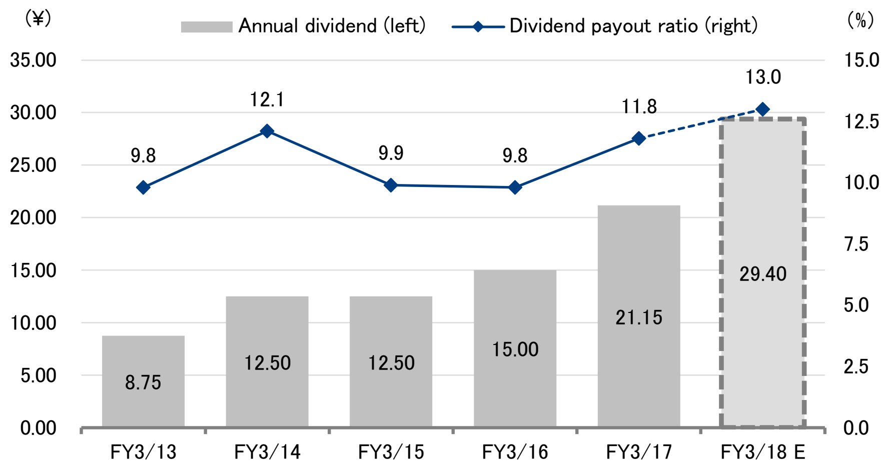
Annual dividend forecast raised to ¥29.40. Rising earnings coupled with higher dividend payout ratio promise to accelerate pace of dividend hikes

Pressance plans to consistently increase its dividend payout ratio over med to long term, in addition to operating profit growth of at least 10% every year. Multiplying two increases both in dividend payout ratio and profit growth, the Company is aiming to increase dividends at faster pace.

The Company currently forecasts annual dividend of ¥29.40 per share for FY 3/18 (¥12.50 at the end of 1H and ¥16.90 at the end of 2H), projecting to increase from the initial forecast ¥25.00 per share (¥12.50 at the end of 1H and ¥12.50 at the end of 2H). The increase in dividend will be for three consecutive year. This new dividend forecast raises the expected dividend payout ratio for FY3/18 to 13.0% from 9.8% in FY3/16. Combining expanding earnings and increasing the dividend payout ratio, shareholders can expect dividend growth at an even faster pace in the days ahead.

Pressance also announced the scope of its shareholder gift program with provision of a JTB Nice Gift worth ¥2,000 to shareholders owning 100 or more shares and less than 400 shares and also a gift worth ¥5,000 to shareholders owning 400 or more shares.

Annual dividends and dividend payout ratios



Note: Implemented a 1:4 stock split on October 1, 2016
Source: Prepared by FISCO from the Company's financial results

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FISCO Ltd.