


## 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. The company also has offices in Nagoya and Tokyo.	
	Year-end	End of March	
	URL	<a href="https://www.pressance.co.jp/">https://www.pressance.co.jp/</a>	

### — Stock Information —

Share Price	Number of shares issued		Total market cap	ROE (Actual)	Trading Unit
¥3,965	15,403,400 shares		¥61,074 million	19.4%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥70.00	1.8%	¥702.42	5.6 times	¥3,414.09	1.2 times

\*The share price is the closing price on May 30. The number of shares issued was taken from the latest brief financial report. ROE and BPS are the values for the previous term.

### — 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.

This report outlines Pressance Corporation Co., Ltd., overviews its financial results for the term ended March 2016, and mentions its future activities, etc.

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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 the term ended March 2016 were 78,990 million yen, up 20.3% year on year. The sales of single-room condominiums increased considerably 46.4% year on year, and the sales of family condominiums grew healthily 9.1% year on year. Due to the augmentation of procurement cost, etc., gross profit rate declined slightly. As SG&A expenses rose, but it was offset by sales growth, operating income increased 14.6% year on year to 14,057 million yen, and ordinary income grew 14.4% year on year to 13,798 million yen. Sales and profit increased for the 6<sup>th</sup> consecutive term and marked a record high, exceeding their initial estimates.

• The sales for the term ending March 2017 are estimated to grow 27.7% year on year to 100,839 million yen, exceeding 100 billion yen. Due to the augmentation of the costs for acquiring sites and constructing buildings, gross profit ratio is estimated to decrease this term, too, and the company plans to increase sales promotion expenses and employees. Accordingly, SG&A expenses are estimated to increase about 30%, but it will be offset by sales growth, and operating income is projected to grow 10.0% year on year to 15,466 million yen. From this term, the company will pay interim dividends. Its interim and term-end dividends are both 35 yen/share. Namely, the annual dividend is 70 yen/share, up 10 yen/share. Payout ratio is forecasted to be 10.0%.

• The ROE of Pressance Corporation is so high that it is included in JPX-Nikkei Index 400, but its PER is as low as around 5. Therefore, the company plans to enhance its IR activities, while considering that it is necessary to reflect corporate value in the market accurately. Its business performance is estimated to be healthy for the foreseeable future, considering the progress of order receipt, site acquisition, etc. at the beginning of the term, and its characteristic profitability is forecasted to remain high. We would like to pay attention to its efforts for diversifying its business in the mid to long terms, including the entry to other regions.

## 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 nationwide.

#### **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.

(For more details, refer to “5. Interview with Senior Managing Director Doi”)

## 【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

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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

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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%	2,139,957	12.9	1.8
3231	Nomura Real Estate Holdings, Inc.	29.0%	29.9%	48.6%	12.8%	11.3%	376,459	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>61,074</b>	<b>5.6</b>	<b>1.2</b>
3289	Tokyu Fudosan Holdings Corporation	125.1%	21.1%	55.7%	6.9%	7.1%	465,243	14.0	1.1
8804	Tokyo Tatemono Co., Ltd.	122.1%	23.2%	54.0%	9.5%	5.6%	301,145	18.2	1.0
8830	Sumitomo Realty & Development Co., Ltd.	58.1%	19.0%	67.6%	17.4%	10.2%	1,470,154	15.1	1.6
8840	Daikyo Incorporated	80.7%	60.5%	14.0%	5.1%	7.8%	140,872	10.0	0.9
8877	Nihon Eslead Corp.	108.9%	56.1%	21.5%	8.9%	6.7%	16,502	7.2	0.5
8897	Takara Leben Co., Ltd.	11.3%	25.8%	54.1%	8.8%	13.3%	95,382	9.3	2.5
8931	Wada Kohsan Corporation	19.3%	24.8%	59.8%	7.1%	7.2%	6,670	5.1	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 May 30, 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.

It is necessary to further increase investors' awareness of the company.

## 【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.

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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: kitchen)	Urban type Within 5 min. on foot from a major station	Convenient location (Colleges, vocational schools, enterprises, 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)

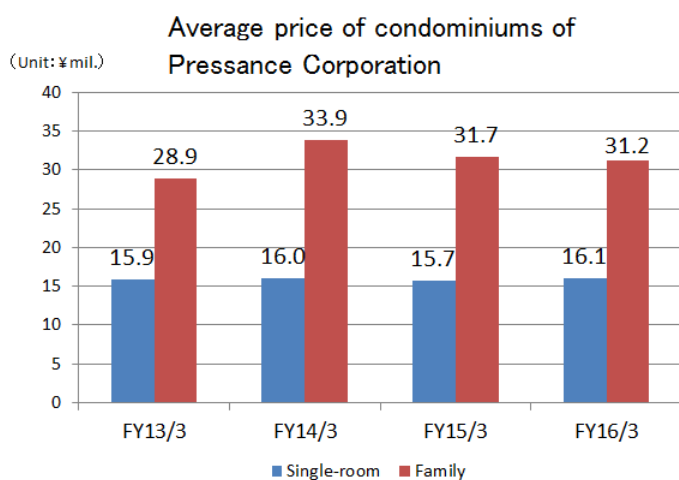
Type	Amount sold	Share	No. of units	Share
Single-room condominiums	21,966	27.8%	1,366	42.2%
Family condominiums	44,931	56.9%	1,429	44.1%
Sale of condominium buildings	4,922	6.2%	401	12.4%
Sale of other housing	1,256	1.6%	44	1.3%
Sale of other real estate	2,388	3.0%	-	-
Business accompanying real estate 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 March 2016 are 437 buildings and 27,698 condominium units nationwide, especially in the Kinki, Tokai, and Chukyo regions.



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Pressance Loger Namba Grand West  
(Osaka)



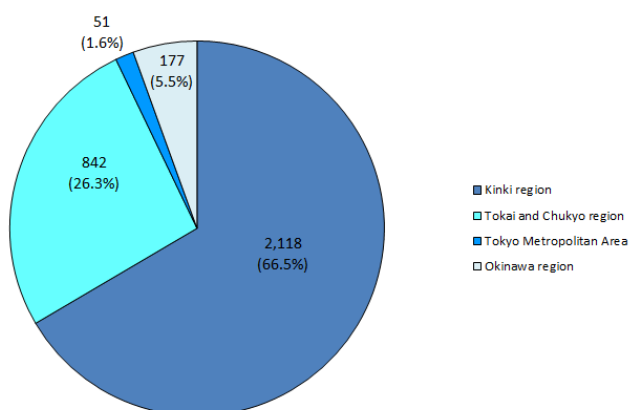
Pressance Gene Shin-Kobe  
Station Front (Kobe)



Pressance Loger Karasuma-Gojo  
(Kyoto)

Prefecture, etc.	No. of buildings	No. of units
Osaka	184	11,940
Aichi	105	6,673
Kyoto	61	2,847
Hyogo	43	2,725
Shiga	7	713
Okinawa	14	654
Tokyo	10	585
Kanagawa	2	226
Saitama	1	29
Gifu	1	88
Mie	1	98
Aging	8	1,120
<b>Total</b>	<b>437</b>	<b>27,698</b>

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 discuss the expansion to other regions.

**【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.

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) ÷ (A) × 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.”

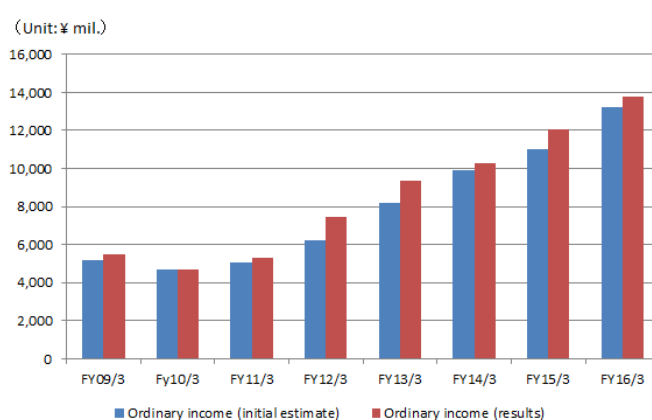
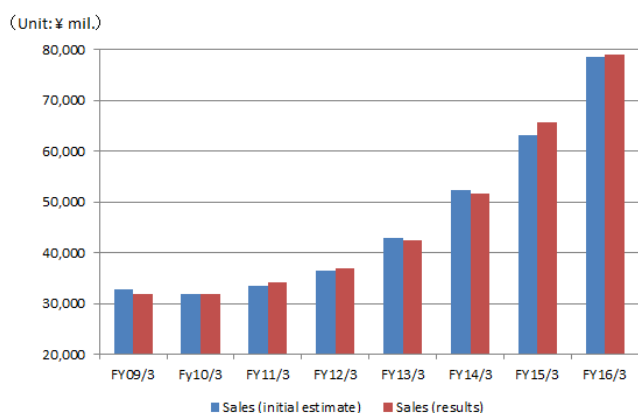
This relation is even stronger now after the aftershock of Lehman’s fall subsided, which is one of the reasons why the company is highly competitive.

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. 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. Fiscal Year March 2016 Earnings Results****(1) Consolidated Business Results**

(unit: million yen)

	FY 3/15	Ratio to sales	FY 3/16	Ratio to sales	YOY	Compared with the initial forecast
Sales	65,641	100.0%	78,990	100.0%	+20.3%	+0.6%
Gross margin	19,737	30.1%	23,379	29.6%	+18.5%	+2.5%
SG&A expenses	7,475	11.4%	9,321	11.8%	+24.7%	+0.0%
Operating income	12,262	18.7%	14,057	17.8%	+14.6%	+4.2%
Ordinary income	12,065	18.4%	13,798	17.5%	+14.4%	+4.2%
Net income	7,758	11.8%	9,194	11.6%	+18.5%	+4.5%

**Sales and profit grew for the 6<sup>th</sup> consecutive term, both marking record highs.**

Sales were 78,990 million yen, up 20.3% year on year. The sales of single-room condominiums increased considerably by 46.4% year on year, and the sales of family condominiums grew healthily by 9.1% year on year. Due to the augmentation of procurement cost, etc., gross profit rate declined slightly. Although SG&A expenses including the cost for selling tower condominiums to be completed in the next term and personnel expenses including incentives rose, this increase was offset by sales growth. As a result, operating income increased by 14.6% year on year to 14,057 million yen, and ordinary income grew by 14.4% year on year to 13,798 million yen.

Sales and profit increased for the 6<sup>th</sup> consecutive term and both marked record highs, exceeding their initial estimates.

**(2) Trends by segment**

	FY 3/15	Ratio to sales	FY 3/16	Ratio to sales	YOY
Sales					
Real estate sale business	63,060	96.1%	75,745	95.9%	+20.1%
Others	2,580	3.9%	3,244	4.1%	+25.7%
Total	65,641	100.0%	78,990	100.0%	+20.3%
Operating income					
Real estate sale business	11,929	18.9%	13,531	17.9%	+13.4%
Others	954	37.0%	1,211	37.3%	+26.9%

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Adjustment	-622	-	-684	-	-
Total	12,262	18.7%	14,057	17.8%	+14.6%

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

## Real Estate Sale Business

The sales of Pressance Loger Namba Grand West (194 condominium units in total) of the family condominium "Pressance Loger Series," etc. have been healthy.

Sales results for the term ended March 2016 (unit: million yen)

Type	Sales	YOY	No. of units	YOY
Single-room condominiums	21,966	+46.4%	1,366	+43.0%
Family condominiums	44,931	+9.1%	1,429	+9.9%
Sale of condominium buildings	4,922	+41.6%	401	+84.8%
Sale of other housing	1,256	+496.4%	44	+214.3%
Sale of other real estate	2,388	-19.9%	-	-
Business accompanying real estate sale	279	+36.3%	-	-
<b>Total sales of real estate sale business</b>	<b>75,745</b>	<b>+20.1%</b>	<b>3,240</b>	<b>+30.3%</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 performance of real estate for lease owned by the company has been healthy, and the income from rents increased.

## (3) Financial condition and cash flow

### ◎Main BS

(unit: million yen)

	End of Mar. 2015	End of Mar. 2016		End of Mar. 2015	End of Mar. 2016
<b>Current assets</b>	94,070	117,887	<b>Current liabilities</b>	28,647	22,171
Cash and deposits	20,942	22,887	Trade payables	11,365	4,864
Real estate for sale	2,602	4,173	Short-term interest-bearing debts	5,715	5,408
Real estate for sale in process	68,854	88,376	Noncurrent liabilities	28,269	51,781
Noncurrent assets	7,478	6,390	Long-term interest-bearing debts	27,831	51,297
Property, plant and equipment	6,810	5,687	Total liabilities	56,916	73,953
Intangible assets	25	24	Net assets	44,632	50,324
Investments and other assets	643	678	Equity	44,609	50,191
Total assets	101,549	124,277	Total liabilities and net assets	101,549	124,277
			Balance of interest-bearing debts	33,547	56,706

\* Trade payables include electronically recorded accounts payable.

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Real estate for sale was 4,173 million yen, up 1,571 million yen from the end of the previous term. Real estate for sale in process was 88,376 million yen, up 19,521 million yen from the end of the previous term.

Short-term interest-bearing liabilities are nearly equal to the value at the end of the previous term. Since the company conducted procurement actively, long-term interest-bearing liabilities were 51,297 million yen, up 23,465 million yen from the end of the previous term, and total interest-bearing liabilities were 56,706 million yen, up 23,158 million yen from the end of the previous term.

As a result, capital-to-asset ratio dropped by 3.5% to 40.4%.

The inventory assets of acquired sites, which is calculated by subtracting construction fees, etc. from the inventory assets in the BS (sum of real estate for sale and real estate for sale in process), was 17,684 million yen (5,083 units) for single-room condominiums, and 36,465 million yen (4,881 units) for family condominiums.

Under the assumption that the company will sell 1,600-1,700 single-room condominiums and 1,500-1,800 family condominiums every term from now on, it can be said that the company has already secured the sites for the two kinds of condominiums for the coming three terms till the term ending March 2019.

## ◎Cash Flow

(unit: million yen)

	Term ended Mar. 2015	Term ended Mar. 2016	Increase/decrease
Operating CF	-6,160	-17,504	-11,344
Investing CF	-4	-2,093	-2,088
Free CF	-6,165	-19,597	-13,432
Financing CF	8,430	19,543	+11,112
Cash and equivalents	20,882	20,827	-54

Operating CF declined further due to the decline in accounts payable, etc. Investing CF dropped further due to the payments into time deposits, and so free CF, too, decreased.

Financing CF increased, because of the increase in the income from long-term debts.

The cash position has not changed significantly.

## 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
Sales	78,990	100.0%	100,839	100.0%	+27.7%
Gross margin	23,379	29.6%	27,622	27.4%	+18.1%
SG&A	9,321	11.8%	12,155	12.1%	+30.4%
Operating income	14,057	17.8%	15,466	15.3%	+10.0%
Ordinary income	13,798	17.5%	15,089	15.0%	+9.4%
Net income	9,194	11.6%	10,327	10.2%	+12.3%

\*The estimated values are from the company.

### Sales and profit are estimated to grow for the 7<sup>th</sup> consecutive term, both marking record highs.

Sales are estimated to increase by 27.7% year on year to 100,839 million yen, exceeding the 100 billion yen mark.

The cost for acquiring sites for development has augmented and the expenses for building condominiums remain high, but the system for supporting the acquisition of housing is still effective and the employment situation is improving. Accordingly, Pressance Corporation expects that the rate of selling condominiums in the urban area will remain healthy.

Due to the augmentation of the costs for acquiring sites and construction, gross profit rate is estimated to decline this term,

too, and SG&A is estimated to grow about 30%, due to the increases in sales promotion expenses, including the expenses for advertisement and show houses, and employees in response to the expansion of business scale, etc. However, this is offset by sales growth, and operating income is estimated to rise 10.0% year on year to 15,466 million yen.

From this term, the company will pay an interim dividend. The interim and term-end dividends will be both 35 yen/share, and the annual dividend will be 70 yen/share, up 10 yen per share year on year. Payout ratio is forecasted to be 10.0%.

Recently, construction cost has started decreasing slightly, and this is expected to increase gross profit rate from the second half of the term after the next. In addition, the augmentation of SG&A stems from the advertisement cost for large-scale projects in Shiga and Osaka Prefectures, which would lead to the growth of sales in the next term and also the term after the next.

## (2) Orders to be filled

Orders to be filled as of the end of Mar. 2016								
Category	No. of units	Amount	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	952	16,305	952	16,305	32,859	49.6%	0	0
Family	1,334	46,516	1,051	34,328	50,072	68.6%	283	12,188
Sale of condominium buildings	896	11,776	846	11,123	11,649	95.5%	50	653
<b>Total</b>	<b>3,182</b>	<b>74,597</b>	<b>2,849</b>	<b>61,756</b>	<b>94,581</b>	<b>65.3%</b>	<b>333</b>	<b>12,841</b>

As the sales of condominiums for this term are estimated to be 94.5 billion yen, the amount of actual orders at the beginning of the term is 65.3%.

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

## (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
Single-room condominiums	21,966	29.0%	32,859	33.8%	+49.6%
Family condominiums	44,931	59.3%	50,072	51.5%	+11.4%
Sale of condominium buildings	4,922	6.5%	11,649	12.0%	+136.6%
Sale of other housing	1,256	1.7%	1,984	2.0%	+57.9%
Sale of other real estate	2,388	3.2%	200	0.2%	-91.6%
Business accompanying real estate sale	279	0.4%	412	0.4%	+47.4%
<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>

This term, too, the sales of single-room condominiums and whole condominium buildings are estimated to grow significantly. The sales of family condominiums are projected to increase by double digits.

Sales volume is estimated to rise about 40%. It would rank third in the above-mentioned ranking in Japan.

Major condominiums to be sold are as follows:

Single-room condominiums	<ul style="list-style-type: none"> <li>◇ Pressance Shin-Osaka The City (186 units)</li> <li>◇ Pressance Tamatsukuri Ekimae (128 units)</li> <li>◇ Pressance Matsuyamachi Ekimae Duo (126 units)</li> <li>◇ Pressance Edobori (112 units)</li> </ul>
Family condominiums	<ul style="list-style-type: none"> <li>◇ Pressance Loger Suma Myohoji Sakura no Mori West Hills (228 units)</li> <li>◇ Pressance Loger Amagasaki (184 units)</li> <li>◇ Pressance Loger Kamimaezu Ekimae II (126 units)</li> </ul>
Sale of condominium buildings	◇ Total sales volume: 800 units, up 200.0% year on year

The company has so far mainly handled single-room condominium buildings composed of 60-80 units and family condominium buildings composed of 50-60 units. Compared with them, the above buildings are large.

As mentioned above, the plentiful experience of supplying condominiums and larger market share of Pressance Corporation are highly evaluated, and so an increasing number of clients offer information on large-scale real estate to the company.

## Others

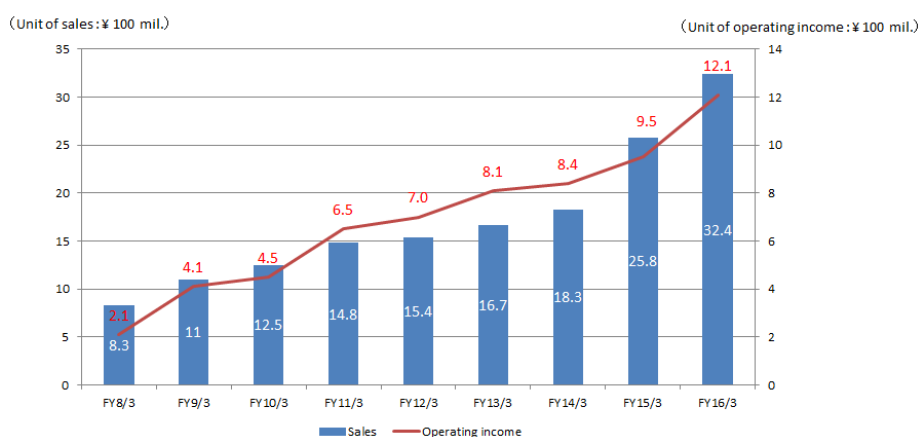
Due to the increase of real estate for lease, the income from rents will grow. Accordingly, sales are estimated to be 3,661 million yen, up 12.9% year on year, indicating a double-digit increase.

## 4. Future endeavors

### (1) Expansion of stock business (business with moderate yet stable income)

Pressance Corporation has increased the number of managed condominium buildings and condominium units steadily by supplying condominiums continuously. It will increase the numbers of managed condominium buildings and condominium units further by concentrating on the sale of single-room and family condominiums. As of the end of March 2016, the company has 241 managed condominium buildings and 12,204 rental apartments. By utilizing these accumulated assets, the company plans to secure a stable revenue source based on stock business, including the business of managing rental real estate or buildings, and the apartment rental business, in which the company owns excellent apartments and earns profit from rents.

Trends of sales and income from stock business



### (2) Operation of hotel business

Due to the growth of demand from foreign visitors to Japan, the shortage of hotels is now a pressing issue.



Under these circumstances, in case that Pressance Corporation finds it more profitable, the company will convert some of the sites for single-room condominiums around major stations in Osaka and Kyoto into the sites for hotels, by utilizing the know-how to acquire sites, select locations, and estimate construction cost, which has been nurtured through the construction of condominiums.

The company is undergoing discussions from diverse perspectives on specifically how to progress, while considering the options of (1) sale to hotel companies, (2) owning hotels by itself and entrusting hotel operation companies with hotel operation, and (3) owning and operating hotels all by itself.

In the term ending March 2018, two buildings in Osaka and one building in Kyoto are scheduled to be completed, and in the term ending March 2019, two buildings in Osaka are to be completed. One of the five buildings will be entrusted to a hotel operation company, and Pressance will accumulate hotel operation know-how.

### (3) Major projects from the next term

The following two large-scale projects are underway.

#### ◎Pressance Legend Lake Biwa

A family condominium building with a total of 497 units is to be built on the shore of the Lake Biwa. This is one of the largest projects ever in the area, and every condominium unit will enjoy a lake view. The location has an easy access not only to Kyoto but also to Osaka. There are plentiful community facilities such as large shopping complex in the surrounding areas. It is scheduled to be completed in the middle of February 2018.



#### ◎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 party rooms, sky lounges and fitness rooms. The tower is scheduled to be completed in late January 2018.



## 5. Interview with Senior Managing Director Doi

Mr. Yutaka Doi, Senior Managing Director and Director of Management Department, has been acquainted with President Yamagishi since before the inception of the company by Yamagishi. Mr. Doi joined the company as an executive secretary in 1999, two years after the inception. He has been assisting the growth of the company mainly from the management division.

In this interview session, Investment Bridge asked him about the source of the company's strength, future endeavors, etc.

**“Without exception whatsoever, don't cut corners and do what needs to be done. ‘Do all the common tasks properly’ is our company's principle of action.”**

- “Lighting up your corner,” our corporate motto, asserts the importance of individual employees doing their best at their positions.
- The phrase “Do all the common tasks properly” expresses the importance of the motto more concretely; this is our company's principle for action.
- In sales activities, for example, there is no such thing as a formula for selling many condominiums. You must keep doing what you need to do in order to achieve success, even if you can't get good results at all by doing your best.
- “Keep doing what you need to do” does not mean just continuing sales promotion. You have to do everything thoroughly, including what you don't like, without cutting a single corner. We humans are weak and we tend to cut corners when we can. However, if we keep doing things without cutting corners, we believe that we can eventually get the results we want, whether we are talented or not.
- Every day in our company we work hard to spread the ideas of “Lighting up your corner” and “Accomplishing ordinary tasks thoroughly and carefully enables us to achieve extraordinary results” in not only the sales department, but also every department. This is the source of our company's strength.

**“We focus on personnel training, which increases growth potential.”**

- Our company's growth potential above all stems from human resources. Therefore we put tremendous efforts into personnel training. Our high sales capability represents our company's training ability.
- It is important to make new employees a substantial part of the workforce as soon as possible. Therefore we let them act in concert with their seniors so they can thoroughly and repetitively watch and learn how the seniors handle phone calls, prepare data, and talk in door-to-door selling business, etc. in order to manage to conclude a contract with a client. Repeating this process naturally enables them to become a full-fledged employee and complete business on their own from start to finish.

**“Please watch us. We are growing steadily.”**

- Ever since Pressance Corporation was listed in the stock market, it has improved its business performance steadily, without suffering damage in the wake of the bankruptcy of Lehman Brothers.
- This is because we always come face to face with our end users and take their opinions into consideration when making decisions. Another feature of our company is that we can take a swift and bold turnaround.
- We have already secured sites for the next 3 years, and we do not need to make unnecessary purchases to secure sales. This lets us provide our customers with affordable condominiums.
- Considering our internal reserves for investment and the balance of profit return, we will steadily pay dividends, while continuing our steady growth with the aim of achieving a 10% increase in our operating income each year.
- Please look forward to our company's future.

## 6. Conclusions

The ROE of Pressance Corporation is so high that it is included in JPX-Nikkei Index 400, but its current PER is as low as around 5. Therefore, the company plans to enhance its IR activities, while considering that it is necessary to reflect corporate value in the market accurately.

Its business performance is estimated to be stable in the short term, considering the progress of orders received, site

acquisition, etc. at the beginning of the term, and its characteristic profitability is forecasted to remain high.

We would like to pay attention to its efforts for further diversifying its business in the mid to long terms, including the entry to other regions.

<Reference: regarding corporate governance>

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

Organization category	Company that has an audit committee, etc.
Directors	12 directors, including 3 external ones

## ◎ Corporate governance report

Pressance Corporation submitted a corporate governance report on the period from the application of the corporate governance code, on November 30, 2015.

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

Principle	Reason for failure to follow
【 Principle 3-1-(5) Enrichment of information disclosure】	The company has written candidate external directors in “the notification on the convocation of a regular shareholders’ meeting.” From the next fiscal year, the company will also write the reasons for nominating candidates other than candidate external directors, too.
【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, while considering whether or not business partners’ decisions would improve the corporate value of Pressance.
【 Principle 4-9 Criteria for judging the independence of independent external directors and their qualities】	Candidate independent external directors shall satisfy the requirements for independence specified by the Tokyo Stock Exchange, in which Pressance is listed, and the following “independence judgment standards”; (1) Relationships with major shareholders Candidates shall not be major shareholders who hold 10% or more of voting rights for Pressance. (In the case of corporations; directors, auditors, executive officers, operating officers and employees) (2) Relationships with major business partners, etc. Candidates shall not be any directors, auditors, executive officers, operating officers, or employees of major business partners or the like of Pressance or former executive directors, executive officers, or operating officers. <ul style="list-style-type: none"> <li>▪ Major business partners of the Pressance group (whose transaction amount in the latest business year accounts for 2% or more of consolidated sales of Pressance)</li> <li>▪ Enterprises that mainly make business transactions with the Pressance</li> </ul>

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	<p>group (whose transaction amount in the latest business year accounts for 2% or more of consolidated sales of Pressance)</p> <ul style="list-style-type: none"> <li>▪ Major institutions that finance Pressance (major financing institutions in the business report for the latest fiscal year)</li> </ul> <p>(3) Relations with specialized service providers, such as lawyers, certified public accountants, and consultants Candidates shall not be any lawyers, certified public accountants, consultants, or the like who receive money and other assets worth 10 million yen or more per year in addition to director's remuneration from Pressance.</p> <p>(4) Relations with accounting auditors Candidates shall not be the representative or employee of the firm that serves as the accounting auditor of Pressance.</p> <p>(5) Cases in which directors and others are dispatched mutually Directors or the like are not dispatched mutually with Pressance.</p> <p>(6) Relationships with relatives Candidates shall not be the spouses or any relatives within the second degree with directors, auditors, or executives of the Pressance group. In addition, candidates shall not be the spouses or any relatives within the second degree with those who are mentioned in the above sections (1) to (4)*.</p> <p>* If major shareholders, business partners, or the like are corporations, the directors, auditors, executive officers, operating officers, and other executives may be candidates. When nominating candidate external directors, the company will take into account their ages, part-time business, tenures, etc.</p>
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