

# Bridge Report



## 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	
	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
¥1,457	62,106,400 shares		¥90,489 million	19.2%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥25.00	1.7%	¥207.04	7.0 times	¥1,008.49	1.4 times

\*The share price is the closing price on December 8. 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	68.10	35.00
Mar. 2013 (Actual)	42,349	9,393	9,329	5,351	88.95	35.00
Mar. 2014 (Actual)	51,755	10,334	10,264	6,286	103.44	50.00
Mar. 2015 (Actual)	65,641	12,262	12,065	7,758	126.27	50.00
Mar. 2016 (Actual)	78,990	14,057	13,798	9,194	152.31	60.00
Mar. 2017 (Actual)	101,033	15,645	15,414	10,526	178.99	84.60
Mar. 2018 (Forecast)	126,562	18,301	17,818	12,176	207.04	25.00

\* The forecast is from the company.

\*4-for-1 share split was conducted on Oct. 1, 2016.

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

This report introduces Pressance Corporation's earnings results for the first half of fiscal year March 2018, future growth strategies and so on.

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## Key Points

•Pressance Corporation is an independent condominium developer that plans, develops, sells and maintains 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 region for the seventh consecutive year as well as Tokai and Chukyo regions for the fifth consecutive year. In Japan, the company ranks 4<sup>th</sup>. Its major strengths include plentiful experience of supplying condominiums, large market share, high sales capacity, and sound financial position.

•Sales for the second quarter of the term ending March 2018 were 66,241 million yen, up 7.7% year on year. The increase in selling as well as general and administrative (SG&A) expenses decreased operating income and other incomes year on year; however, both sales and profit are making good progress and growing as planned. The company is constructing each condominium in a construction period as short as possible, aiming to reduce costs. In addition, since multiple condominiums are constructed simultaneously, the number of condominium units to be transferred (sales to be recorded) will vary with quarters.

•The full-year sales and earnings forecast has been unchanged. Sales for the term ending March 2018 are estimated to be 126,562 million yen, up 25.2% year on year. Gross profit ratio is estimated to drop by 0.9%, which is attributed to several factors, including the growing costs for acquiring development sites and the building construction costs that remain high. SG&A expenses are estimated to go up by 25.6% year on year due to temporarily rising expenses for merchandising model rooms associated with the expanding sales volume of family condominiums, and an increase in the number of employees following a business expansion; however, it will be offset by sales growth. As a result, operating income will be 18,301 million yen, up 17.0% year on year. The dividend will be 25 yen/share. Payout ratio is projected to be 12.1%.

•The projected delivery amount of the term against the projected sales of the term for the condominium sales business, which was 70.8% at the beginning of the term and 88.1% as of the end of the first quarter, grew further to 98.2% at the end of the second quarter. The growth rate is higher than that of the previous term, indicating that it is quite certain that the company achieves the forecast and there may be even a possibility of an upturn. We would like to pay attention to the progress for the third and fourth quarters from the short-term perspective made by the company which is propelling proactive shareholder return by multiplying “profit growth” and “increase in payout ratio. Furthermore, investors would like to have a better and clearer idea of the medium-term sales and profit level of the company.

## 1. Company Overview

Pressance Corporation is an independent condominium developer that plans, develops, sells and manages 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 region for the seventh consecutive year as well as Tokai and Chukyo regions for the fifth consecutive year. In Japan, the company ranks 4<sup>th</sup>. Its major strengths include plentiful experience of supplying condominiums, large market share, high sales capacity, sound financial position, and an excellent product appeal.

### 【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.

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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 December 2007.

In 2008, it opened Tokyo Branch, commencing business operation in the Tokyo Metropolitan Area. Thanks to the steady expansion of its business, 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 October 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 guideline for 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 2016 (April 2016 to March 2017) was 12,820 in the Kinki region, 2,157 in the Chubu region, 30,459 in the Tokyo Metropolitan Area, totaling 45,436 in the three areas.

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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 seventh consecutive year (2,435 in 2016), ranks first in the Tokai and Chukyo regions for the fifth consecutive year, ranks first in Nagoya city for the sixth consecutive year (768 in 2016), and ranks fourth nationwide (3,225 in 2016).

Ranking for the supply of condominiums for sale by areas in 2016

The Kinki region			The Tokai and Chukyo regions and the Nagoya City		
Rank	Corporate name	No. of units	Rank	Corporate name	No. of units
<b>1</b>	<b>Pressance Corporation</b>	<b>2,435</b>	<b>1</b>	<b>Pressance Corporation</b>	<b>768</b>
2	Nihon Eslead Corp.	1,476	2	Daikyo Incorporated	330
3	Wada Kohsan Corporation	800	3	Meitetsu Real Estate Development Co.Ltd.	315
4	Kintetsu Real Estate	730	4	Nomura Real Estate Development Co., Ltd.	264
5	Tokyu Fudosan Holdings Corporation	713	5	Mitsui Fudosan Residential Co., Ltd.	258
Japan					
Rank	Corporate name	No. of units			
1	Sumitomo Realty & Development Co., Ltd.	6,034			
2	Mitsui Fudosan Residential Co., Ltd.	4,320			
3	Nomura Real Estate Development Co., Ltd.	4,056			
<b>4</b>	<b>Pressance Corporation</b>	<b>3,225</b>			
5	Mitsubishi Jisho Residence Co., Ltd.	3,215			

## ◎ 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	3,512,909	300,529	3,555,885	444,422	102,608	667,489
3231	Nomura Real Estate Holdings, Inc.	569,680	68,952	1,593,093	120,385	249,663	810,100
<b>3254</b>	<b>Pressance Corporation</b>	<b>101,083</b>	<b>15,414</b>	<b>185,307</b>	<b>14,324</b>	<b>122,174</b>	<b>101,101</b>
3289	Tokyu Fudosan Holdings Corporation	808,503	63,631	2,067,152	213,239	199,431	1,137,892
8804	Tokyo Tatemono Co., Ltd.	254,498	30,635	1,314,558	37,085	58,266	721,746
8830	Sumitomo Realty & Development Co., Ltd.	925,151	167,697	4,980,039	345,184	492,340	3,370,474
8840	Daikyo Incorporated	325,360	19,967	277,899	45,885	43,622	28,918
8877	Nihon Eslead Corp.	39,300	5,054	59,535	9,132	16,465	15,400
8897	Takara Leben CO., LTD.	103,599	9,496	139,874	9,658	32,390	79,863
8931	Wada Kohsan Corporation	31,374	2,193	76,218	1,869	36,412	44,231

(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.	433.1%	36.8%	18.8%	8.6%	16.3%	2,539,033	12.0	2.4
3231	Nomura Real Estate Holdings, Inc.	48.2%	30.2%	50.9%	12.1%	10.1%	469,524	10.7	1.0
<b>3254</b>	<b>Pressance Corporation</b>	<b>11.7%</b>	<b>32.0%</b>	<b>54.6%</b>	<b>15.2%</b>	<b>19.2%</b>	<b>87,121</b>	<b>6.8</b>	<b>1.4</b>
3289	Tokyu Fudosan Holdings Corporation	106.9%	21.4%	55.0%	7.9%	7.3%	442,814	12.2	1.0
8804	Tokyo Tatemono Co., Ltd.	63.6%	24.2%	54.9%	12.0%	6.4%	335,642	15.3	1.1
8830	Sumitomo Realty & Development Co., Ltd.	70.1%	20.2%	67.7%	18.1%	10.9%	1,675,822	14.5	1.7
8840	Daikyo Incorporated	105.2%	64.0%	10.4%	6.1%	8.2%	199,076	1.7	1.1
8877	Nihon Eslead Corp.	55.5%	58.6%	25.9%	12.9%	9.3%	30,544	8.3	1.0
8897	Takara Leben Co., Ltd.	29.8%	26.2%	57.1%	9.2%	17.4%	64,604	8.9	1.5
8931	Wada Kohsan Corporation	5.1%	24.6%	58.0%	7.0%	7.6%	7,900	5.6	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 November 22, 2017.

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, 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 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 actual residency, and “other business,” in which the company manages the lease of single-room apartments for the benefit of the owners and the building maintenance

### ◎Product mix

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

The approximate average price of a property is 17 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: 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 4LDK	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.)



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Combined	About 20 to 100 m <sup>2</sup>	1ROOM to 4LDK	Urban and suburban types Within 5 min. on foot from a major station	Criteria similar to those for single-room condominiums
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(Sales results for the term ended March 2017)

(unit: million yen)

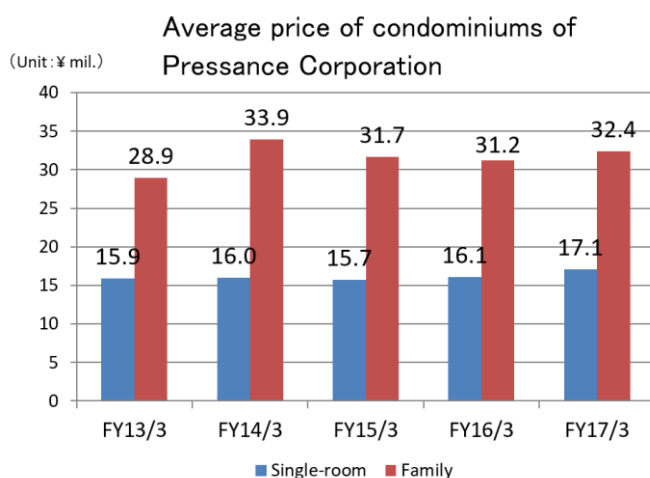
Product Type	Amount sold	Percentage	No. of units	Percentage
Single-room condominiums	32,453	33.4%	1,892	43.3%
Family condominiums	50,450	51.9%	1,544	35.3%
Condominium buildings	11,971	12.3%	900	20.6%
Other housing	1,038	1.1%	36	0.8%
Other real estate	878	0.9%	-	-
Business accompanying real estate sale	504	0.5%	-	-
<b>Real estate sale business</b>	<b>97,297</b>	<b>100.0%</b>	<b>4,372</b>	<b>100.0%</b>
<b>Others</b>	<b>3,786</b>	<b>3.7%</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>101,083</b>	<b>100.0%</b>	<b>4,372</b>	<b>100.0%</b>

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

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

\* The sale of other real estate includes 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 2017 are 551 buildings and 36,277 condominium units nationwide, mainly 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)

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Prefecture	No. of buildings	No. of units
Osaka	248	16,491
Aichi	126	8,179
Hyogo	59	4,499
Kyoto	69	3,407
Shiga	9	1,355
Okinawa	16	761
Tokyo	12	660
Kanagawa	2	226
Others	10	699
<b>Total</b>	<b>551</b>	<b>36,277</b>

\*Accumulated sales results from November 1998 to the end of September 2017

In the fiscal year ended in March 2017, the Kinki region accounted for 68.9% of the total number of condominiums sold, and the Tokai and Chukyo regions made up 27.4%.

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. Although the Tokyo Metropolitan Area has a large market scale, the company focuses on selling only family condominiums, considering the cost of land and the selling price.

The company plans to enhance its brand, to increase market share further in the Kinki, Tokai as well as 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 fourth nationwide in 2016.

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

### (2) Strong selling power

On the sale of single-room condominiums, the entire sales persons are selling one real estate during the same period of time. In this way, in-company competitions are intensified and their motivation is kept high.

Since sales staffs sell only the brand developed in-house, they are experts at the specs and features of their real estate, and customers rely on them.

In addition, the company makes efforts to cultivate potential customers in various ways such as holding a seminar and flexibly responds to the changes in demand and market conditions.

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 its vast educational effort.

It is important to train new employees so that they will become beneficial in actual business as soon as possible. The company trains new employees to accompany their seniors, and they experience vital business scenes, such as talking with customers, making documents and other activities critical to close a deal. Thus, accumulating successful experiences, new employees will grow to complete each sale by themselves in a short period of time.

Because of these factors, the company sells out condominiums early and has stable sales.

**(3) Sound financial position**

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

(unit: million yen)

Index	Term ended Mar. 2015	Term ended Mar. 2016	Term ended Mar.2017
Gross profit rate	30.1%	29.6%	27.1%
Ordinary income rate	18.4%	17.5%	15.2%
Real estate for sale (B)	2,602	4,173	14,324
Real estate in process for sale (A)	68,854	88,376	122,174
$(B) \div (A) \times 100$	3.8%	4.7%	11.7%
Capital-to-asset ratio	43.9%	40.4%	32.0%
Dependence on interest-bearing liabilities	33.0%	45.6%	54.6%

In the term ended March 2017, gross and ordinary income rates tend to drop due to the increase in land purchasing prices and construction cost.

Although active land procurement resulted in increasing debts, decreasing capital-to-asset ratio and increasing the dependence on interest-bearing liabilities, the company thinks that these conditions are not so serious as to affect the financial soundness of the company.

**(4) Excellent product competitiveness**

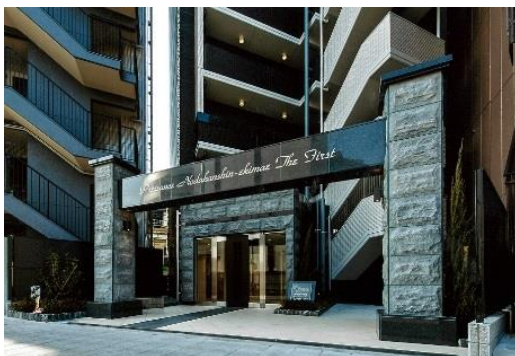
The customers are highly satisfied with “locations,” “facilities” and “prices.”

As for “locations,” the company puts importance on convenience within 10 minutes on foot from a major station, especially in the urban area.

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

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 collecting capability**

For condominium developers with the desire for business expansion, it is vital to collect information on good sites from brokers or financial institutions ahead of any other competitors.

In the wake of the bankruptcy of Lehman Brothers, while many competitors became unable to procure land, Pressance Corporation actively procured land because of its good financial standing.

For land brokers, Pressance Corporation is the most important customer since it actively procured lands even during the downturn in economy. It is also beneficial to brokers that Pressance Corporation makes quick decisions, compared with



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other large companies. As the result, Pressance Corporation won a reputation as a trade partner with significant benefits. Consequently, brokers started offering the latest information on land to Pressance first.

This relation has grown stronger and stronger after the aftershock of Lehman's fall subsided and is one of the reasons why the company is highly competitive.

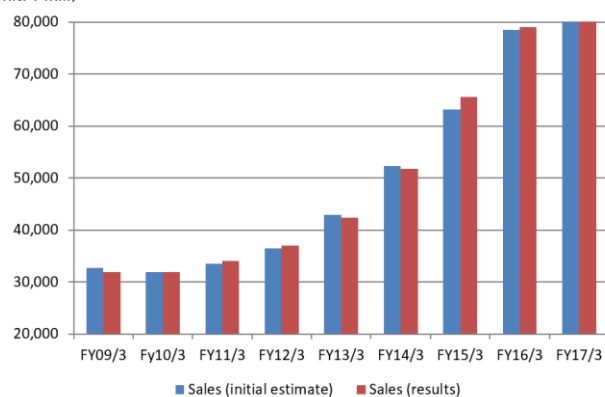
Because of Pressance Corporation's fast decision-making and strong brand power, an increasing number of brokers contact Pressance first rather than other large developers even on large-scale projects.

## (6) Stable earning capability

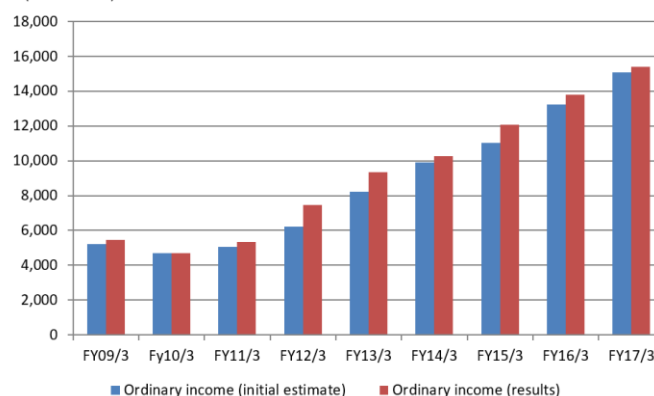
Pressance Corporation was listed in the stock market in December 2007, and it has released its financial statements 9 times from the term ended March 2009 to the term ended March 2017. Comparing the initial estimates and the actual results of sales and ordinary income, sales did not reach the initial estimates several times, however, ordinary income has never failed to reach the initial estimates.

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.

(Unit: ¥ mil.)



(Unit: ¥ mil.)



## 【ROE analysis】

	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17
<b>ROE (%)</b>	<b>18.5</b>	<b>18.2</b>	<b>18.9</b>	<b>19.4</b>	<b>19.2</b>
Net income margin [%]	12.64	12.15	11.82	11.64	10.41
Total asset turnover [times]	0.74	0.75	0.74	0.70	0.65
Leverage [times]	1.98	2.01	2.17	2.38	2.83

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\*2" 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.The First Half of Fiscal Year March 2018 Earnings Results

### (1) Consolidated Business Results

(unit: million yen)

	1H FY 3/17	Ratio to sales	1H FY 3/18	Ratio to sales	YOY
Sales	61,498	100.0%	66,241	100.0%	+7.7%
Gross margin	17,834	29.0%	18,114	27.3%	+1.6%
SG&A expenses	5,836	9.5%	7,126	10.8%	+22.1%
Operating income	11,997	19.5%	10,987	16.6%	-8.4%
Ordinary income	11,910	19.4%	10,726	16.2%	-9.9%
Net income	8,059	13.1%	7,239	10.9%	-10.2%

### Healthy growth despite increased sales and decreased profit

Sales were 66,241 million yen, up 7.7% year on year which is attributed to the different composition of condominium types sold mainly because of varying delivery times. The rise in selling as well as general and administrative (SG&A) expenses include the increased merchandising expenses for model rooms associated with the expanding sales volume of family condominiums and the increase in the number of employees following the business expansion. As the result, operating income and other incomes decreased; however, both sales and profit are making a good progress compared to the forecast. The company is constructing each condominium in a construction period as short as possible, aiming to reduce costs. In addition, since multiple condominiums are constructed simultaneously, the number of condominium units to be transferred (sales to be recorded) varies by quarter.

### (2) Trends by segment

	1H FY 3/17	Ratio to sales	1H FY 3/18	Ratio to sales	YOY
Sales					
Real estate sale business	59,624	97.0%	63,779	96.3%	+7.0%
Others	1,873	3.0%	2,462	3.7%	+31.4%
Total	61,498	100.0%	66,241	100.0%	+7.7%
Operating income					
Real estate sale business	11,635	19.5%	10,473	16.4%	-10.0%
Others	796	42.5%	1,017	41.3%	+27.8%
Adjustment	-433	-	-502	-	-
Total	11,997	19.5%	10,987	16.6%	-8.4%

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

### (Sales results)

(unit: million yen)

Type	Sales	YOY	No. of units	YOY
Single-room condominiums	22,330	-5.5%	1,300	-4.5%
Family condominiums	23,889	-11.6%	680	-18.3%
Sale of condominium buildings	13,378	+77.4%	823	+45.7%
Sales of hotels	1,053	-	72	-
Sale of other housing	517	-28.3%	19	-26.9%
Sale of other real estate	2,111	+323.7%	2	-
Business accompanying real estate sale	497	+131.1%	-	-
<b>Total sales of real estate sale business</b>	<b>63,779</b>	<b>+7.0%</b>	<b>2,896</b>	<b>+4.0%</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 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.

# Bridge Report



The growing sales of condominium buildings covered the shrinking sales volume of single-room and family condominiums.

The decrease in sales of single-room and family condominiums resulted from the timing of delivery (recording of sales) of condominiums upon construction completion. Although sales of family condominiums decreased year on year, the quantity of condominiums delivered (recording of sales) will be larger during the third and fourth quarters according to the company's plan for this term, meaning that financial figures are in good progress. The company started delivery (recording of sales) of hotels this term.

## (3) Financial condition and cash flow

### ◎ Main BS

(unit: million yen)

	End of Mar. 2017	End of Sep. 2017		End of Mar. 2017	End of Sep. 2017
<b>Current assets</b>	171,810	200,871	<b>Current liabilities</b>	49,438	61,007
<b>Cash and deposits</b>	30,534	39,238	<b>Trade payables</b>	7,786	4,105
<b>Real estate for sale</b>	14,324	11,786	<b>Short-term interest-bearing debts</b>	25,410	38,970
<b>Real estate for sale in process</b>	122,174	145,734	<b>Noncurrent liabilities</b>	76,253	88,435
<b>Noncurrent assets</b>	13,497	15,165	<b>Long-term interest-bearing debts</b>	75,691	87,822
<b>Property, plant and equipment</b>	11,865	12,701	<b>Total liabilities</b>	125,691	149,442
<b>Intangible assets</b>	276	449	<b>Net assets</b>	59,615	66,594
<b>Investments and other assets</b>	1,354	2,014	<b>Equity</b>	59,318	66,315
<b>Total assets</b>	185,307	216,036	<b>Total liabilities and net assets</b>	185,307	216,036
			<b>Balance of interest-bearing debts</b>	101,101	126,793

\* Trade payables include electronically recorded accounts payable.

Real estate for sale in process was approximately 145,700 million yen, up 23,500 million yen from the end of the previous term. Total assets were about 216,000 million yen, up 30,700 million yen from the end of the previous term. Short-term and long-term interest-bearing debts grew respectively by 13,500 million yen and 12,100 million yen, resulting in total interest-bearing debts of about 126,700 million yen, up 25,600 million yen from the end of the previous term. Consequently, asset-to-capital ratio was 30.7%, down 1.3% from the end of the previous term.

The land price of acquired sites for condominiums were 25,368 million yen (5,759 units) for single-room condominiums and 53,984 million yen (6,611 units) for family condominiums, calculated by subtracting construction fees and other related fees from the inventory assets in the balance sheet (the sum of real estate for sale and real estate for sale in process).

Assuming that the company will sell about 1,700 single-room condominiums and about 1,900 family condominiums every term from now on, it seems that the company has already secured the sites enough for sales volume for the next 3.4 years till February 2021 regarding single-room condominiums and those for 3.5 years till March 2021 regarding family condominiums.

Also, the land price of acquired sites for sale of condominium buildings business were 9,898 million yen (2,447 units). Comparing with 900 condominium buildings sold in the previous term, the company has acquired sites for condominium buildings for the next 2.7 years till July 2020.

The land price of acquired sites for sale of hotels were 12,805 million yen (2,117 units), and the company has already acquired sites for hotels by the end of FY March 2020.

# Bridge Report



## ◎Cash Flow

(unit: million yen)

	1H FY 3/17	1H FY 3/18	Increase/decrease
Operating CF	3,199	-15,628	-18,828
Investing CF	-4,824	-896	+3,927
Free CF	-1,624	-16,525	-14,901
Financing CF	12,318	25,210	+12,892
Cash and equivalents	31,521	37,143	+5,621

Operating CF became negative mainly due to the increased inventory assets. The decrease in the purchase of noncurrent assets resulted in a decrease in deficit of investing CF. The deficit of Free CF increased.

Financing CF grew further as a result of the increase in short-term loans and proceeds from issuance of bonds with subscription rights to shares.

The cash position improved.

## 3. Fiscal Year March 2018 Earnings Estimates

### (1) Full-year earnings forecast

(unit: million yen)

	FY 3/17	Ratio to sales	FY 3/18(forecast)	Ratio to sales	YOY
Sales	101,083	100.0%	126,562	100.0%	+25.2%
Gross margin	27,432	27.1%	33,100	26.2%	+20.7%
SG&A	11,786	11.7%	14,798	11.7%	+25.6%
Operating income	15,645	15.5%	18,301	14.5%	+17.0%
Ordinary income	15,414	15.2%	17,818	14.1%	+15.6%
Net income	10,526	10.4%	12,176	9.6%	+15.7%

\*The estimated values are from the company.

**Business forecast is unchanged. Sales and profit are estimated to grow for the 8th consecutive term, both making record highs.**

Sales are estimated to be 126,562 million yen, up 25.2% year on year.

Gross profit ratio is estimated to drop by 0.9%, which is attributed to the growing costs for acquiring development sites and the building construction costs that remain high. SG&A expenses are estimated to go up by 25.6% year on year due to temporarily rising expenses for merchandising model rooms associated with the expanding sales volume of family condominiums as well as the increase in the number of employees following a business expansion; however, it will be offset by sales growth. As a result, operating income will be 18,301 million yen, up 17.0% year on year. The dividend will be 25 yen/share. Payout ratio is projected to be 12.1%.

### (2) Orders to be filled

Orders to be filled as of end of March 2018				
Category	Breakdown			
	To be transferred this term		Condominium sale business	
	No. of units	Amount (A)	Estimated sales for this term (B)	Rate of progress toward estimated sales (A ÷ B)
Single-room	1,684	28,946	29,282	98.9%
Family	1,709	64,904	66,577	97.5%
Sale of condominium buildings	1,246	19,212	19,300	99.5%
Hotel	183	2,728	2,720	100.3%
Total	4,822	115,790	117,881	98.2%

“To be transferred this term” is the sum of the actual (cumulative total) number of units and amount transferred as of the

second quarter and the estimated number of units and amount to be transferred in the third and fourth quarters under completed sales contract, with their sales volume for this term clearly estimated as of the second quarter.

The rate of progress against the estimated sales for this term has reached almost 100%.

### (3) Real estate sale business

(unit: million yen)

Type	FY 17/3	Ratio to sales	FY 18/3(forecast)	Ratio to sales	YOY
Single-room condominiums	32,453	34.2%	29,282	24.8%	-9.8%
Family condominiums	50,450	53.2%	66,577	56.5%	+32.0%
Sale of condominium buildings	11,971	12.6%	19,300	16.4%	+61.2%
Hotels	-	-	2,720	2.3%	-
<b>Total sales of condominium sale business</b>	<b>94,875</b>	<b>100.0%</b>	<b>117,881</b>	<b>100.0%</b>	<b>+24.2%</b>

## 4. Progress of Development Strategies

### (1) Progress of Family Condominiums Business

Progress of sale of major large-scale projects is as follows.

#### a) Pressance Legend Sakaisuji Honmachi Tower

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

The sales of the tower began in January 2016. As of the end of September 2017, 326 units are under contract (contract rate 96.7%).

It is making a steady progress toward the completion and handover in March 2018.



#### b) “Pressance Legend Lake Biwa”

A family condominium building with a total of 486 units was built on the shore of 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 many community facilities such as a large shopping complex in the surrounding areas.

The sales of the condominium began in August 2016. As of the end of September 2017, 472 units are under contract (contract rate 97.1%).

It is making a steady progress toward the completion and handover in June 2018.





The company cites the following 3 points as reasons why its family condominiums have gained in tremendous popularity:

### <1. Virtuous sales cycle by making full use of the dominant strategy>

The company operates galleries each of which features multiple model rooms, enabling customers who consider purchasing condominiums to efficiently look around multiple condominiums all at once. This results in a higher contract rate, which consequently boosts the sales efficiency of sales personnel and strengthens their motivation. In addition, the costs for constructing model rooms can be reduced. Furthermore, pricing has been competitive.

The company will achieve further dominance by continuing to expand the number of both condominiums and customers.

### <2. Comprehensive strengths of the leading company in the field of real estate investment >

The following 3 kinds of strengths are the key:

The first strength is a synergy with single-room condominiums for investment.

It is possible for the company to approach the residents of a massive quantity of single-room condominiums for investment, which is 282 buildings, or 14,478 units, as of the end of March 2017, about purchasing family condominiums. As the residents have lived in the rooms supplied by the company, they have a great sense of security and trust in the company and its condominiums. In addition, regarding family condominiums, a trend of relocation is growing nowadays, in response to which the company can provide knowhow necessary for relocation. Consequently, use of family condominiums as real estate for investment has created new sales opportunities.

The second strength is an integrated system that can consistently offer services, ranging from site purchase to planning, sale, and management.

The business efficiency is great, and high quality and optimum prices have been realized. In addition, as the company can support customers even in resale after purchase and operations of condominiums for rent, customers can have a strong sense of security when they buy condominiums from the company.

The last strength is the overwhelming number of condominiums supplied by the company, which is ranked 1st for 7 consecutive years in the Kinki region and for 5 consecutive years in the Tokai and Chukyo region.

In addition to its advantage in obtaining information on sites earlier than any other companies, the company can make product proposals through its unique method for site acquisition and planning even for the sites with the conditions that are not suitable enough to family condominiums.

### <3. Sales and promotional capabilities that other companies cannot imitate>

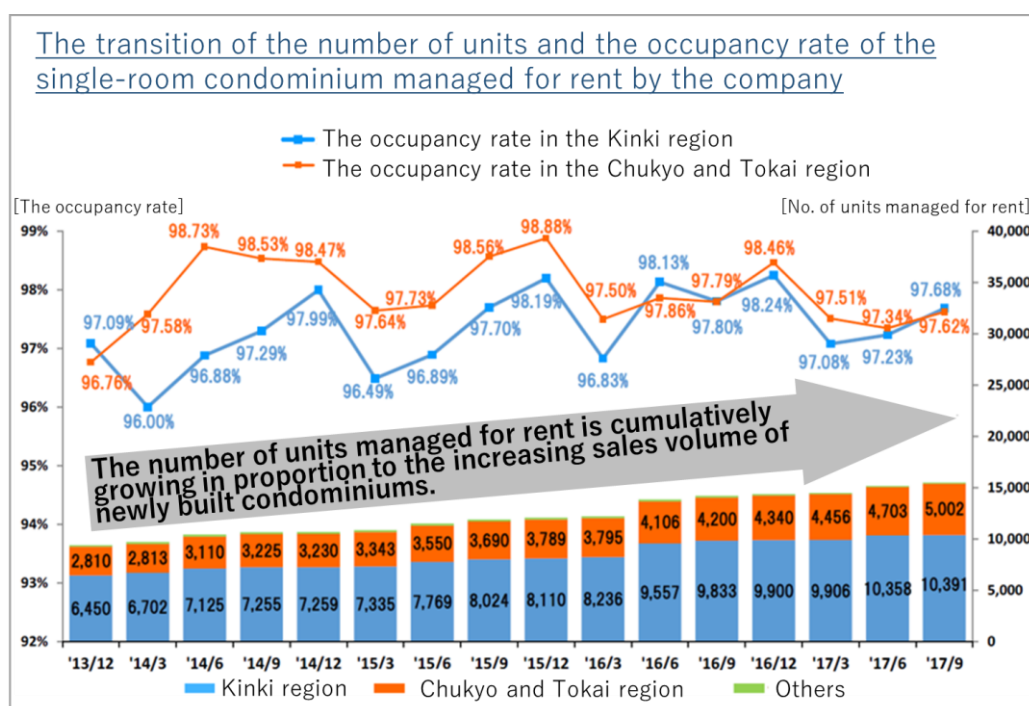
The company's employees visit customers' houses kindly and give advice necessary for purchasing family condominiums, including how to take out loans, location conditions and the market rate in a relevant area, through which the company have won trust. Furthermore, the "introduction/additional purchase" campaign which the company is conducting to a large number of their customers is one of its unique promotional activities.

In addition, it has successfully and synergistically enhanced the advertising effect by placing advertisements of multiple condominiums intensively in each area.

## (2) Topic regarding the single-room condominium business

The business environment surrounding single-room condominiums continues to be favorable.

The occupancy rate of the single-room condominiums managed by the company for rent remains at a high level exceeding 97% both in the Kinki region and in the Chukyo and Tokai region, and there is almost no vacancy with the occupancy rate of 97.67% as of the end of September 2017. Accordingly, the buyers of the condominiums in inner-city areas handled by the company can earn income almost continuously from condominium rent. Thus, high occupancy rate is a strong tailwind for selling single-room condominiums for investment. In addition, the number of units managed for rent is cumulatively growing in proportion to the increasing sales volume of newly-built condominiums, resulting in a steady rise in the company's income from condominium management as a stable source of revenue.



(Source: The company's data)

## (3) Hotel business development

The company is currently developing 19 hotels, including 3 properties newly added in and after July 2017. It also purchased a hotel in operation.

The company promotes the hotel business from various directions based on the following 3 scenarios, considering eventually selling them to REIT or fund after continuously accumulating track records.

A	To sell to other hotel business companies	14 properties
B	To own hotels and outsource operations to other companies	5 properties
C	To keep hotels by the company and jointly operate with other hotel operation companies	1 property

Scheduled date of completion	Address	Operation method	Outline
Term ending Mar. 2018	Inari, Naniwa-ku, Osaka-shi	A (already transferred)	JR Namba Station; 72 units
	Motomachi, Naniwa-ku, Osaka-shi	A	JR Namba Station; 111 units
	Hiranomachi, Chuo-ku, Osaka-shi	A (To be transferred next term)	Kitahama Station of Sakaisuji Subway Line; 116 units

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Term ending Mar. 2019	Shikitsuhashi, Naniwa-ku, Osaka-shi	A	Daikokucho Station of Midosuji Subway Line; 300 units
	Minamimemba, Chuo-ku, Osaka-shi	A	Shinsaibashi Station of Midosuji Subway Line; 124 units
	Omiya-dori, Shimogyo-ku, Kyoto-shi	A	Omiya Station of Hankyu Line; 122 units
	Nishimiyahara, Yodogawa-ku, Osaka-shi	A	JR Shin-Osaka Station; 120 units
	Tenjinyama-cho, Nakagyo-ku, Kyoto-shi	A	Shijo Station of Karasuma Subway Line; 63 units
	Yasaka-dori, Higashiyama-ku, Kyoto-shi	C	Shimizu-Gojo Station of Keihan Main Line; 7 units
Term ending Mar. 2020	3-chome, Nishinakajima, Yodogawa-ku, Osaka-shi	A	Nishinakajima Station of Midosuji Subway Line; 140 units
	Aburakoji-dori, Shimogyo-ku, Kyoto-shi	A	Gojo Station of Kyoto City Subway; 154 units
	Nobori-cho, Naka-ku, Hiroshima-shi	B	Ebisucho Station of Hiroden Main Line; 126 units
	Onoe-cho, Naka-ku, Yokohama-shi	B	JR Kannai Station; 279 units
	Minami-honmachi, Chuo-ku, Osaka-shi	A	Honmachi Station of Midosuji Subway Line; 180 units
	Kamikawabata-machi, Hakata-ku, Fukuoka-shi	A	Nakasukawabata Station of Hakozaki Line of Fukuoka City Subway; 204 units
	Nishikujocho-cho, Minami-ku, Kyoto-shi	B	JR Kyoto Station; 122 units
	2-chome, Motomachi, Naniwa-ku, Osaka-shi	A	JR Namba Station; 404 units
	Oi-cho, Nakagyo-ku, Kyoto-shi	B	Karasuma-marutamachi Station of Karasuma Subway Line; 16 units
	2-chome, Nishi, Naha-shi	A	Asahibashi Station of Okinawa Monorail; 234 units

\*The properties written in red ink are ones newly added.

Purchase and possession	Address	Operation method	Outline
Term ended Mar. 2017	Gokodori, Chuo-ku, Kobe-shi	B	JR Sannomiya Station; 135 units

## 5. Interview with Vice President Doi

We interviewed Vice President Doi about various matters, including the immediate situation and messages for investors.

**“The progress in business performance is as projected. Our company has certainly taken in customers’ demand by supplying a large number of condominiums, and besides, we are making steady progress with purchase.”**

As of this moment, our company has anticipated fluctuations of costs, such as building material costs and personnel expenses, and sale of condominiums is as forecasted in the beginning of this term, which means that we are making healthy progress. Customers’ intention of purchasing condominiums is vigorous.

There are not so many developers, like our company, which have succeeded in supplying properties in exact regions and places where customers are looking for condominiums. We have successfully taken in demand through diverse approaches, including pricing, with the aim of becoming a company that is chosen first by customers.

Furthermore, our company has certainly acquired sites at a high rate even when competition exists. As we have raised funds on a continuous basis even after the 2008 financial crisis and accumulated results, reliability and trust of financial institutions in our company are great. We have been steadily procuring sites for about the next 3 years.

**“The hotel business is becoming profitable on a steady basis. We will pursue approaches while taking risks into account.”**

It is certain that the hotel business is contributing to profit.

In general, hotels are owned and actually operated by a company itself for 6 months to 1 year from the completion of construction, and they are sold to hotel operation companies or REIT after actual business results (the yield) were obtained. In contrast, as the location of sites our company acquires is usually ideal, requests for purchasing hotels are made even before construction is completed.

It is projected that the sales value will be higher after operations were started than before the start of operations; however, taking risks into account, our company has pursued approaches that attach weight to a turnover of the invested capital.

**“Our company will meet the expectations of shareholders and investors by multiplying ‘double-digit profit growth’ and ‘continuous rise in payout ratio.’”**

Our company has achieved a double-digit profit growth on a steady basis and will continuously strive to realize growth in double digits. Accordingly, we have purchased sites for the next 3 years in preparation for actualizing the growth.

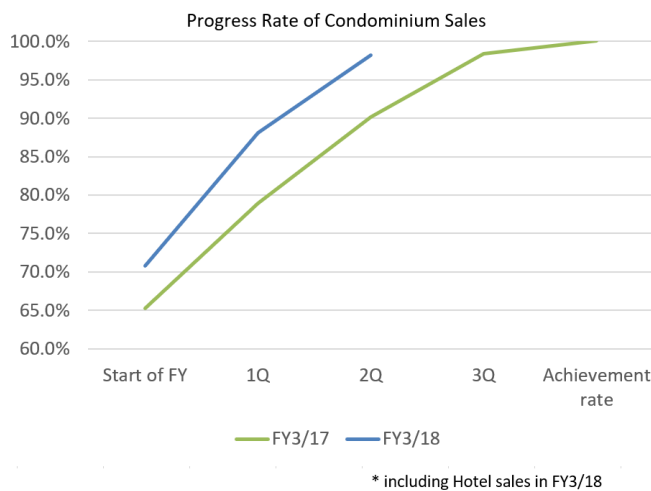
In addition to the steady profit growth, our company plans a proactive return of profit by sequentially raising payout ratio. As it is necessary to consider the balance between investment (purchase of sites) and shareholder return, we cannot give a specific rate of increase in payout ratio as of this moment; however, our company will fulfill the expectations of shareholders and investors by enhancing corporate value and increasing profit return through multiplication of “double-digit profit growth” and “continuous rise in payout ratio.” We would like to kindly ask for continuous support from all of you.

## 6. Conclusions

The projected delivery amount of this term against the projected sales of the term for the condominium sales business, which was 70.8% at the beginning of this term and 88.1% as of the end of the first quarter, grew further to 98.2% at the end of the second quarter. The growth rate is higher than that of the previous term, indicating that it is quite certain that the company achieves the forecast and there may be even a possibility of an upturn.

We would like to pay attention to the progress for the third and fourth quarters from the short-term perspective made by the company, which is propelling proactive shareholder return by multiplying “profit growth” and “improvement of payout ratio.” Furthermore, investors would like to have a better and clearer idea of the medium-term sales and profit level of the company.

# Bridge Report



<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

Last modified: June 26, 2017.

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

The company states, “Our company conducts each principle of the Corporate Governance Code.”

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, while considering whether or not business partners’ decisions would improve the corporate value of Pressance.
【Principle 5-1 Policy for construction dialogue with shareholders】	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.



# Bridge Report



	<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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