



Bridge Report



Bridge Report

Pressance Corporation Co., Ltd. (3254)

	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	
President Shinobu Yamagishi	URL	http://www.pressance.co.jp/ir/ir6.html#english	

— Stock Information —

Share Price	Number of shares issued		Total market cap	ROE (Actual)	Trading Unit
¥1,486	62,818,585 shares		¥93,348 million	20.8%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥35.00	2.4%	¥269.09	5.5 times	¥1,221.10	1.2 times

*The share price is the closing price on December 10. The number of shares issued was taken from the latest brief financial report.
ROE and BPS are the values for the previous fiscal year.

— Earnings Trends —

(Unit: Million yen or yen)

Fiscal Year	Net Sales	Operating Profit	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)	101,083	15,645	15,414	10,526	178.99	84.60
Mar. 2018 (Actual)	134,059	20,362	19,858	13,757	232.58	29.40
Mar. 2019 (Forecast)	152,471	24,541	23,661	16,132	269.09	35.00

* The forecast is from the company.

*4-for-1 share split was conducted on Oct. 1, 2016. EPS has been revised retroactively.

*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 ending March 2019, etc.

— Table of Contents —

[1. Company Overview](#)

[2. First Half of Fiscal Year ending March 2019 Earnings Results](#)

[3. Fiscal Year ending March 2019 Earnings Forecasts](#)

[4. Interview with Vice President Doi](#)

[5. Conclusions](#)

[<Reference1: Medium Term Management Plan>](#)

[<Reference2: Corporate Governance>](#)

Key Points

- The sales for the second quarter of the fiscal year ending March 2019 were 121.3 billion yen, up 83.2% year on year. Sales continued to be favorable. Operating profit was 25.7 billion yen, up 134.6% year on year. SG&A expenses augmented 23.3% year on year, but they were offset by increased sales, resulting in a substantial rise in profits.
- No change has been made to the forecast for the fiscal year ending March 2019. Sales are expected to be 152.4 billion yen, up 13.7% year on year. Gross profit margin is forecasted to rise 1.6 points due to greater sales of studio condominiums, which have a low cost rate. SG&A expenses will also augment due to the increase of employees but will be offset by sales growth. Operating profit is projected to be 24.5 billion yen, up 20.5% year on year. The annual dividend per share is forecasted to be 35.00 yen. Dividend payout ratio is expected to be 13.0%.
- Pressance delivered a large number of studio and family-type condominiums as per the initial plan, and the sales of condominium buildings and hotel property make favorable progresses as well.
- The progression rate of the condominium sale business at the end of September 2018 was 98.9%. A high progression rate (rate of securing target sales) is a feature of the company. For the fiscal year ending March 2019, the rate is higher than previous two fiscal years also at the beginning of the third quarter.
- A few scandals that were detected related to investment properties only highlighted the strengths of Pressance.
- As Pressance's "strong selling power," which is one of its strengths, allows sales staff members to build up successful experiences under a favorable market environment, sales staffs are able to grow faster, and some of the new employees are already acting as important forces of the company only 6 months after they joined. This is resulting in further strengthening of the selling power in addition to much lower turnover rate, and the operating base is becoming more solid.
- As Pressance will most likely attain the goals for the whole fiscal year, its stock price, which has been trending down for long, is finally reversing its course while TOPIX fell to the lowest level since the beginning of the year. We would like to watch the future trend.

1. Company Overview

Pressance Corporation is an independent condominium developer that plans, develops, sells and manages family-type and studio condominiums mainly in the Kinki and Tokai-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 the Kinki region for the eight consecutive years as well as Tokai-Chukyo region for the six consecutive years. In Japan, the company was ranked in the 2nd place. Its major strengths include plentiful experience of supplying condominiums, large market share, outstanding sales capabilities, 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. In 2002, the company was renamed "Pressance Corporation Co., Ltd." From the Kinki region, the company expanded its

Bridge Report



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 on 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 on 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, Tokyo 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 data provided by the company (Source: Real Estate Economic Institute), the number of condominium units provided during 2017 in the Kinki area is 19,560, and that in Tokai-Chukyo area is 4,753.

Pressance has provided 3,845 units in the Kinki area and 1,322 units in the Tokai-Chukyo area. It has held the number one market share in the Kinki area for eight consecutive years and in the Tokai-Chukyo area for six consecutive years.

It is the second largest provider of condominiums in Japan; with a total of 5,267 units nationwide.

Bridge Report



Ranking for the supply of condominiums for sale by areas in 2017

The Kinki region			The Tokai-Chukyo region		
Rank	Corporate name	No. of units	Rank	Corporate name	No. of units
1	Pressance Corporation	3,845	1	Pressance Corporation	1,322
2	Nihon Eslead Corp.	2,017	2	Yahagi Jisho Co.,Ltd.	272
3	Sumitomo Realty & Development Co., Ltd.	968	3	Nomura Real Estate Development Co., Ltd.	262
4	Nomura Real Estate Development Co., Ltd.	769	4	Daiwa House Industry Co.,Ltd.	244
5	Nissho Estem Co.,Ltd.	759	5	Daikyo Incorporated	227
Japan					
Rank	Corporate name	No. of units			
1	Sumitomo Realty & Development Co., Ltd.	7,177			
2	Pressance Corporation	5,267			
3	Nomura Real Estate Development Co., Ltd.	5,158			
4	Mitsui Fudosan Residential Co., Ltd.	3,787			
5	Mitsubishi Jisho Residence Co., Ltd.	3,101			

(Source: Real Estate Economic Institute)

◎ Competitors

Below is a comparison between Pressance Corporation and major competitors 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	3,795,992	344,593	4,035,272	556,056	140,049	780,571
1928	Sekisui House, Ltd.	2,159,363	203,678	2,419,012	968,638	109,480	616,339
3231	Nomura Real Estate Holdings, Inc.	623,762	68,033	1,673,692	102,884	261,278	877,800
3254	Pressance Corporation	134,059	19,858	245,399	11,275	180,461	142,494
3289	Tokyu Fudosan Holdings Corporation	866,126	68,691	2,176,761	207,705	260,138	1,210,375
8804	Tokyo Tatemono Co., Ltd.	266,983	39,416	1,441,050	77,636	67,678	809,385
8830	Sumitomo Realty & Development Co., Ltd.	948,402	186,870	5,186,901	380,735	395,730	3,257,760
8840	Daikyo Incorporated	335,184	19,789	276,661	49,748	47,174	26,497
8877	Nihon Eslead Corp.	48,340	6,703	63,304	1,664	28,453	14,448
8897	Takara Leben CO., LTD.	110,851	11,792	177,975	20,279	44,068	106,442

(units: million yen, times.)

Cod e	Corporate name	Inventory asset ratio (A ÷ B)	Capital-to-asset ratio	Dependence on interest-bearing debts	Ordinary income margin	ROE	Market cap	Estimated PER	PBR
1925	Daiwa House Industry Co., Ltd.	397.0%	36.5%	19.3%	9.1%	17.0%	2,276,535	9.5	1.5
1928	Sekisui House, Ltd.	884.8%	49.4%	25.5%	9.4%	11.6%	1,131,339	8.9	0.9
3231	Nomura Real Estate Holdings, Inc.	39.4%	30.0%	52.4%	10.9%	9.4%	416,665	8.6	0.8
3254	Pressance Corporation	6.2%	29.8%	58.1%	14.8%	20.8%	93,348	5.5	1.2
3289	Tokyu Fudosan Holdings Corporation	79.8%	21.5%	55.6%	7.9%	7.7%	386,421	10.7	0.8
8804	Tokyo Tatemono Co., Ltd.	114.7%	23.9%	56.2%	14.8%	6.8%	273,590	10.9	0.8
8830	Sumitomo Realty & Development Co., Ltd.	96.2%	21.5%	62.8%	19.7%	11.3%	1,994,324	15.3	1.8
8840	Daikyo Incorporated	105.5%	65.2%	9.6%	5.9%	7.7%	249,519	17.0	1.4
8877	Nihon Eslead Corp.	5.8%	61.3%	22.8%	13.9%	11.7%	24,574	5.5	0.6
8897	Takara Leben CO., LTD.	46.0%	24.0%	59.8%	10.6%	18.6%	40,920	5.7	0.8

*The values compared are from the results of the previous fiscal year. Market cap, PER, and PBR are based on the closing price on December 10, 2018.

Compared with competitors, the scale of Pressance Corporation is not so large, but it has some notable characteristics: the small amount of finished goods inventory and high profitability (ordinary income margin 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, sells, and manages studio condominiums for investment and family-type condominiums for actual residency. And in “other business,” the company manages the lease of studio apartments for the benefit of the owners and the building maintenance

◎Product mix

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

The approximate average price of a property is 17 million yen for studio condominiums and 38 million yen for family-type condominiums.

Type	Residential area	Layout	Features	Criteria for selection
Studio	About 20 to 50m ²	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-type	About 50 to 100m ²	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.)
Combined	About 20 to 100m ²	1ROOM to 4LDK	Urban and suburban types Within 5 min. on foot from a major station	Criteria similar to those for studio condominiums

Bridge Report



(Sales results for the fiscal year ended March 2018)

(unit: million yen)

Product Type	Amount sold	Percentage	No. of units	Percentage
Studio condominiums	29,707	22.2%	1,726	33.8%
Family-type condominiums	71,156	53.1%	1,860	36.5%
Condominium buildings	19,318	14.4%	1,246	24.4%
Hotel property	2,744	2.0%	183	3.6%
Other housing	2,183	1.6%	85	1.7%
Other real estate	3,065	2.3%	2	0.0%
Business accompanying real estate sale	1,276	1.0%	-	-
Real estate sale business, Total	129,451	96.6%	5,102	100.0%
Others	4,607	3.4%	-	-
Total	134,059	100.0%	5,102	100.0%

* 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 March 2018 are 593 buildings and 38,940 condominium units nationwide, mainly in the Kinki and Tokai-Chukyo regions.



Pressance Shin-Kobe-Ekimae
(Kobe City)



Loger Shirakabe Hills
(Nagoya City)



Pressance Legend Sakaisuji-Honmachi
Tower (Osaka City)

Prefecture	No. of buildings	No. of units
Osaka	264	17,672
Aichi	141	8,943
Kyoto	69	3,407
Hyogo	66	4,909
Shiga	9	1,355
Okinawa	17	833
Tokyo	13	743
Kanagawa	2	226
Others	12	852
Total	593	38,940

*Accumulated sales results from November 1998 to the end of March 2018

The company plans to enhance its brand, to increase market share further in the Kinki and Tokai-Chukyo regions and to expand its business to Tokyo and Okinawa regions as well as new regions, such as Hiroshima and Hakata.

【Feature and advantage】

(1) Abundant past record of supplying condominiums and large market share

As mentioned above, the company supplies the largest number of condominiums consecutively not only in the Kinki region, where it is headquartered, but also in the Tokai-Chukyo region. It also ranked second nationwide in 2017. Its large share brings some significant advantages, including construction cost reduction and the enhancement of information-gathering ability.

(2) Strong sales force

The company's basic sales policy is to "sell all units before construction is completed," and it has mostly executed. On the sale of studio condominiums, the entire sales persons sell a piece of real estate during the same period of time. In this way, in-company competitions are intensified, and sales motivation is kept high. Since sales staffs sell only the brand developed by the company, they are the experts at the specs and features of their condominiums so that customers rely on them. In addition, the company makes efforts to cultivate potential customers in various ways such as holding a seminar and also flexibly responds to the changes in demand and market conditions.

Personnel are the driving force for growth. Therefore, the company puts considerable energy into personnel education. The strong sales force of the company originates from its vast educational effort.

It is important to train new employees in order to make them beneficial in actual business as soon as possible. The company trains new employees to accompany their seniors and experience vital business scenes, such as talking with customers and making documents. Consequently, accumulating successful experiences makes new employees to grow to complete deals by themselves in a short period of time.

Because of these factors above, the company has sold out condominiums at an early point and has achieved stable sales.

(3) Competitive products

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.

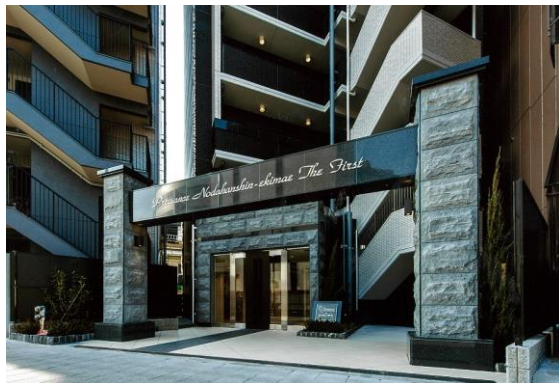
As for "facilities," the company puts emphasis on luxury, comfort and functionality, placing high added value on real estate by equipping a modular bathroom with a built-in dryer ventilator, floor heating systems with gas-heated hot water,

Bridge Report



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 works, its condominiums possess high asset and brand values in the long term.



(Source: Pressance Corporation)

(4) Outstanding information-gathering ability

For condominium developers, it is vital to attain good information from brokers or financial institutions ahead of any other competitors.

When other companies in the industry were stuck with a lot of finished goods inventory and could no longer procure new land due to the Financial crisis, Pressance Corporation was financially doing well and recognized such situations as a good opportunity to begin actively purchasing land. 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 other large companies. As a result, Pressance Corporation won a reputation from land brokers as a trade partner with significant benefits. Consequently, brokers started offering the latest information on land to Pressance first.

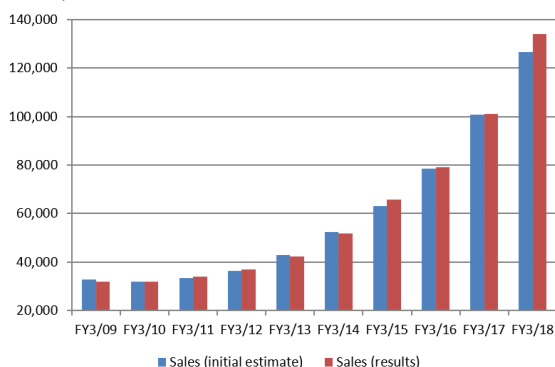
This relation has grown stronger and stronger after the aftershock of Lehman’s fall subsided and is one of the reasons why the company is highly competitive.

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.

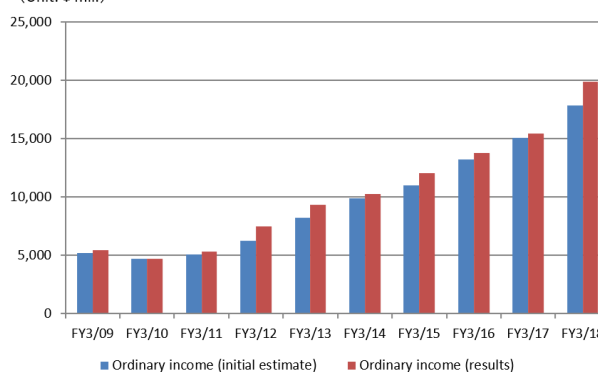
(5) Stable earning power

Pressance Corporation was listed on the stock market in December 2007, and it has released its financial forecast 10 times from the fiscal year ended March 2009 to the fiscal year ended March 2018. Comparing the initial forecasts and the actual results of sales and ordinary income, sales did not reach the initial forecasts a few times, but ordinary income has never failed to reach the initial forecasts. Without being affected by the real estate market condition, the company can earn profit stably and continuously. This is a remarkable feature of the company.

(Unit: ¥ mil.)



(Unit: ¥ mil.)



【ROE analysis】

	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18
ROE (%)	18.5	18.2	18.9	19.4	19.2	20.8
Net income margin [%]	12.64	12.15	11.82	11.64	10.41	10.26
Total asset turnover [times]	0.74	0.75	0.74	0.70	0.65	0.62
Leverage [times]	1.98	2.01	2.17	2.38	2.83	3.25

A high ROE has been realized, backed by high net income margin.

Since the three indices (i.e. operating profit, 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 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 capital utilization 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 profit 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 releasing English documents.

2. First Half of Fiscal Year ending March 2019 Earnings Results**(1) Consolidated Business Results**

(unit: million yen)

	2Q FY 3/18	Ratio to sales	2Q FY 3/19	Ratio to sales	YOY
Sales	66,241	100.0%	121,350	100.0%	+83.2%
Gross profit	18,114	27.3%	34,562	28.5%	+90.8%
SG&A expenses	7,126	10.8%	8,784	7.2%	+23.3%
Operating profit	10,987	16.6%	25,777	21.2%	+134.6%
Ordinary income	10,726	16.2%	25,583	21.1%	+138.5%
Net income	7,239	10.9%	17,402	14.3%	+140.4%

Sales and profits increased substantially.

Sales were 121.3 billion yen, up 83.2% year on year. Sales continued to be favorable.

Operating profit was 25.7 billion yen, up 134.6% year on year. SG&A expenses augmented 23.3% year on year, but they were offset by increased sales, resulting in a substantial rise in profits.

Ordinary income was 25.5 billion yen, up 138.5% year on year.

(2) Trends by segment

(unit: million yen)

	2Q FY 3/18	Ratio to sales	2Q FY 3/19	Ratio to sales	YOY
Sales					
Real estate sale business	63,779	96.3%	118,498	97.6%	+85.8%
Others	2,462	3.7%	2,851	2.4%	+15.8%
Total	66,241	100.0%	121,350	100.0%	+83.2%

Bridge Report



Operating profit					
Real estate sale business	10,473	16.4%	25,350	21.4%	+142.1%
Others	1,017	41.3%	1,045	36.6%	+2.8%
Adjustment	-502	-	-617	-	-
Total	10,987	16.6%	25,777	21.2%	+134.6%

*The ratio to sales of operating profit means operating profit margin.

(Sales results)

(unit: million yen)

Type	Sales	YOY	No. of units	YOY
Studio condominiums	29,780	+33.4%	1,638	+26.0%
Family-type condominiums	61,985	+159.5%	1,639	+141.0%
Condominium buildings	7,392	-44.7%	503	-38.9%
Hotel property	17,625	+1,573.4%	980	+1261.1%
Total sales of real estate sale business	116,784	+92.5%	4,760	+65.6%

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

The sales of studio condominiums including Pressance Itachibori Park City (148 units) and family-type condominiums such as Legend Biwako (486 units) were healthy. The sales of condominium buildings decreased but were as planned.

(3) Financial position and cash flow

◎ Summary of Balance sheet

(unit: million yen)

	End of Mar. 2018	End of Sep. 2018		End of Mar. 2018	End of Sep. 2018
Current assets	227,161	242,193	Current liabilities	67,537	56,567
Cash and deposits	31,374	52,098	Trade payables	6,751	3,465
Real estate for sale	11,275	17,737	Short-term interest-bearing debts	40,473	33,789
Real estate for sale in process	180,461	169,961	Noncurrent liabilities	102,689	110,357
Noncurrent assets	18,237	19,407	Long-term interest-bearing debts	102,021	109,629
Property, plant and equipment	14,493	14,900	Total liabilities	170,226	166,924
Intangible assets	431	378	Net assets	75,172	94,675
Investments and other assets	3,312	4,127	Equity	73,204	92,731
Total assets	245,399	261,600	Total liabilities and net assets	245,399	261,600
			Balance of interest-bearing debts	142,494	143,419

* Trade payables include electronically recorded accounts payable.

Increased sales (delivered property) led to a rise in cash and deposits. The amount of real estate for sale also increased. As a result, total assets grew by 16.2 billion yen from the end of the previous term to 261.6 billion yen. Total liabilities declined by 3.3 billion yen to 166.9 billion yen due to a decrease in trade payables, etc. Net assets grew by 19.5 billion yen to 94.6 billion yen due to the rise in retained earnings. Equity ratio was 35.5%, up 5.7 points from the end of the previous fiscal year.

The amount of acquired lands for condominiums, which is 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), was 43,337 million yen (9,159 units) for studio condominiums and 66,967 million yen (7,312 units) for family-type condominiums. Pressance has obtained lands equivalent to roughly the next 3 years of sales for both studio

Bridge Report



condominiums and family-type condominiums. Similarly, the amount of acquired lands for condominium buildings was 13,421 million yen (3,116 units) and for hotel property sales 10,485 million yen (1,460 units), which means that the company has already acquired lands for sale until the fiscal year ending March 2021.

◎Cash Flow

(unit: million yen)

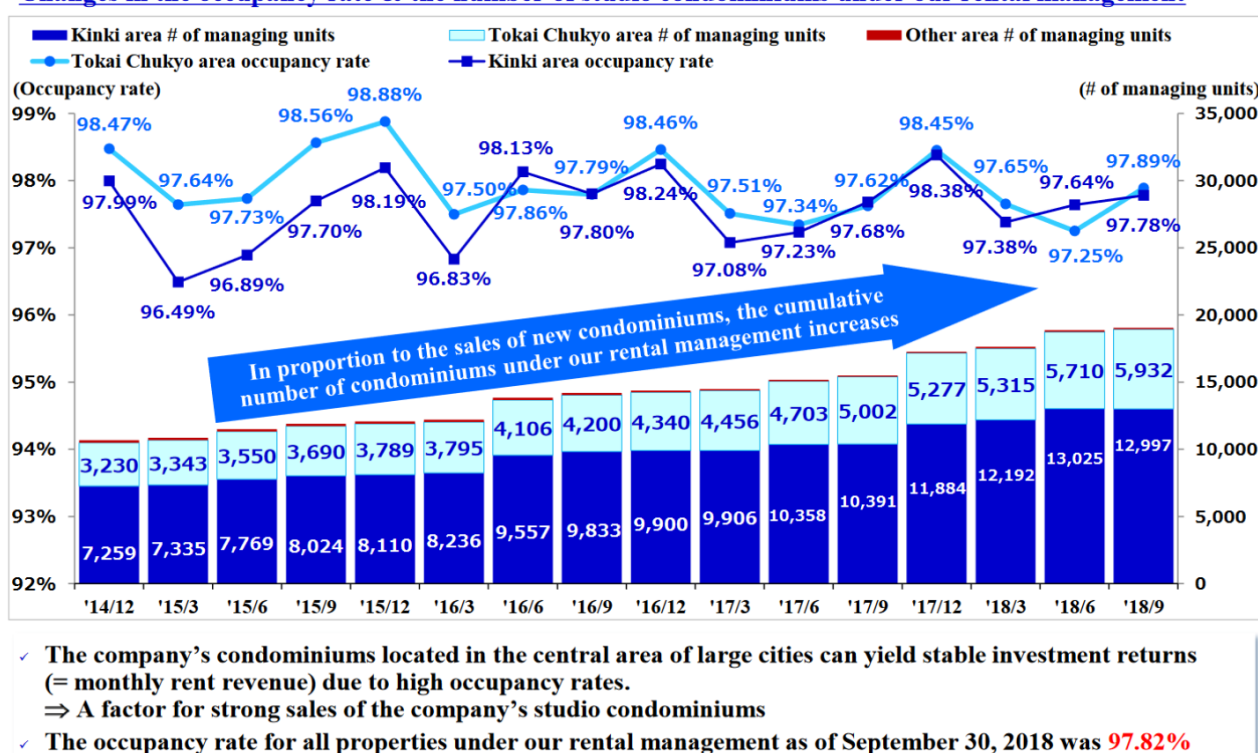
	2Q FY 3/18	2Q FY 3/19	Increase/decrease
Operating CF	-15,628	18,430	+34,058
Investing CF	-896	-1,253	-356
Free CF	-16,525	17,176	+33,702
Financing CF	25,210	3,020	-22,190
Cash and equivalents	37,143	49,538	+12,395

Operating CF and free CF turned positive due to the increase in income before income taxes, the decrease in inventories, etc. The surplus of financing CF shrank as the income from the issuance of bonds with subscription rights to shares was posted in the same period of the previous fiscal year but not in this fiscal year. Consequently, the cash position improved.

(4) Topics

◎ Rent properties under the company's rental management show high occupancy rates.

Changes in the occupancy rate & the number of studio condominiums under our rental management



(From the company's material)

The overall occupancy rate of the rent properties under the rental management of the company at the end of September 2018 was 97.8%. As the graph above suggests, the number remained high, showing almost full occupancy.

One of the reasons behind the favorable sales of the studio condominiums is that investing purchaser can expect a continuous rental revenue every month with almost no need to worry about vacancies. In addition, the number of units of rental properties under the rental management of the company increased in proportion to the increased number of condominium units sold, resulting in the expansion of stable earnings.

3. Earnings Forecasts for Fiscal Year ending March 2019

(1) Full-year earnings forecast

(unit: million yen)

	FY 3/18	Ratio to sales	FY 3/19(forecast)	Ratio to sales	YOY	Progress Rate
Sales	134,059	100.0%	152,471	100.0%	+13.7%	79.6%
Gross profit	34,484	25.7%	41,650	27.3%	+20.8%	83.0%
SG&A	14,121	10.5%	17,108	11.2%	+21.2%	51.3%
Operating profit	20,362	15.2%	24,541	16.1%	+20.5%	105.1%
Ordinary income	19,858	14.8%	23,661	15.5%	+19.2%	108.1%
Net income	13,757	10.3%	16,132	10.6%	+17.3%	107.9%

*The estimated values are from the company.

No change in the forecast as of now. Forecasted double-digit increase in sales and profits this fiscal year

There is no change in the forecast as of now. Sales are expected to be 152.4 billion yen, up 13.7% year on year. Sales will continue to be favorable overall this fiscal year. Gross profit margin is forecasted to rise by 1.6 points due to greater sales of studio condominiums which have a relatively low-cost rate. SG&A expenses will also augment due to an increase in human resources but will be offset by sales growth. Operating profit will be 24.5 billion yen, increasing by 20.5% year on year. Record highs for both sales and profits are expected in this FY3/19. The company is proceeding with the transfer (sales) of a large number of studio and family-type condominiums as per the initial plan, and the sales of condominium buildings and hotel property are favorable as well.

Its dividends will be 35 yen/share annually. The dividend payout ratio is projected to be 13.0%.

(2) Secured amount for sales for this FY 3/19 (sales results + received orders)

Category	To be delivered this fiscal year		Condominium sale business	
	No. of units	Amount (A)	Forecasted sales for this fiscal year (B)	Rate of progress toward forecasted sales (A ÷ B)
Single-room	2,252	41,052	41,951	97.9%
Family	1,920	71,772	74,027	97.0%
Sale of condominium buildings	879	12,446	13,083	95.1%
Hotel	980	17,625	15,429	114.2%
Total	6,031	142,897	144,492	98.9%

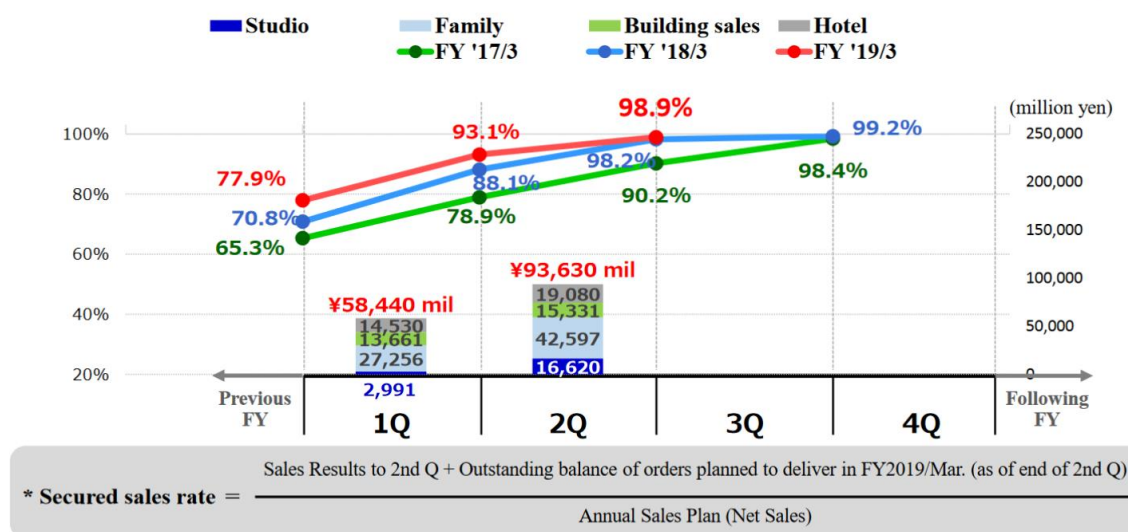
For the condominium sale business, 142.8 billion yen (6,031 units) is the sum of the sales result of 116.7 billion yen (4,760 units) and the outstanding orders of 26.1 billion yen (1,271 units), which will be delivered during the current term, at the end of September 2018. So 142.8 billion yen is the sales figure already secured and is equal to 98.9% of the 144.4 billion yen annual sales forecast.

As a feature of the company, a new accounting period begins with a high progression rate (rate of secured target sales). As seen in the graph below, for the fiscal year ending in March 2019, the rates at every quarter are higher than the previous two fiscal years, including the figure at the current period.

Bridge Report



Trends for “Current term secured sales rate in condominium sales business (line graph, %)” on 1st day of each quarter
 “Balance of orders for sales in and after next fiscal year (stacked bar chart, million yen)” on last day of each quarter



(From the company's material)

The cumulative bar chart above shows the backlog of orders which will lead to sales in the next fiscal year. The secured sales for the next fiscal year were 58.4 billion yen at the end of the first quarter and 93.6 billion yen at the end of the second quarter. The sales of the next fiscal year show steady progress even at this point of time.

(3) Real estate sale business

(unit: million yen)

Type	FY 3/18	Ratio to sales	FY 3/19(forecast)	Ratio to sales	YOY	Progression rate to forecast
Studio condominiums	29,707	24.2%	41,951	29.0%	+41.2%	71.0%
Family-type condominiums	71,156	57.9%	74,027	51.2%	+4.0%	83.7%
Condominium buildings	19,318	15.7%	13,083	9.1%	-32.3%	56.5%
Hotel property	2,744	2.2%	15,429	10.7%	+462.3%	114.2%
Total sales of condominium sale business	122,926	100.0%	144,492	100.0%	+17.5%	80.8%

Although it declined during the previous fiscal year., sales of studio condominiums are expected to see a substantial increase. Sales of family condominiums will be steady. All business segments are progressing in accordance with the plan.

© Hotel property development

The company has currently commercialized 21 hotels (19 of which are developed or under development, 1 being renovated, and 1 purchased). The company promotes the hotel property business from various directions based on the following two scenarios, considering eventually selling them to REIT, investment fund or business entities.

For “To sell to other hotel business companies,” the hotel business companies or candidates to whom properties will be sold have already been determined.

A	To sell to other hotel business companies	19 properties
B	To own hotels and outsource operations to other companies	2 properties

Scheduled date of completion	Address	Operation method	Outline
Fiscal year ending Mar. 2018	Inari, Naniwa-ku, Osaka	Delivered (April 2017)	JR Namba Station, 72 units
	Motomachi, Naniwa-ku, Osaka	Delivered (October 2017)	JR Namba Station, 111 units
Fiscal year ending Mar. 2019	Minamisetemba, Chuo-ku, Osaka	Delivered (April 2018)	Shinsaibashi Station of Midosuji Subway Line; 124 units
	Hiranomachi, Chuo-ku, Osaka	Delivered (April 2018)	Kitahama Station of Sakaisuji Subway Line; 116 units
	Nishimiyahara, Yodogawa-ku, Osaka	Delivered (July 2018)	JR Shin-Osaka Station; 120 units
	Shikitsuhigashi, Naniwa-ku, Osaka	Delivered (July 2018)	Daikokucho Station of Midosuji Subway Line; 300 units
	Tenjinyama-cho, Nakagyo-ku, Kyoto	Delivered (September 2018)	Shijo Station of Karasuma Subway Line; 63 units
	Gojo-Omiyadori, Shimogyo-ku, Kyoto	Delivered (September 2018)	Omiya Station of Hankyu Line; 122 units
	Yasaka-dori, Higashiyama-ku, Kyoto	B(To be delivered next fiscal year)	Shimizu-Gojo Station of Keihan Main Line; 7 units
	Gokodori, Chuo-ku, Kobe	Delivered (September 2018)	JR Sannomiya Station; 135 units
Fiscal year ending Mar. 2020	3-chome Nakadori, Akita(※)	B(To be delivered next fiscal year)	JR Akita Station; 234 units
	Nobori-cho, Naka-ku, Hiroshima	A	Ebisucho Station of Hiroden Main Line; 126 units
	Minami-honmachi, Chuo-ku, Osaka	A	Honmachi Station of Midosuji Subway Line; 174 units
	Aburakoji-dori, Shimogyo-ku, Kyoto	A	Gojo Station of Kyoto City Subway; 166 units
	Kamikawabata-machi, Hakata-ku, Fukuoka	A	Nakasukawabata Station of Hakozaki Line of Fukuoka City Subway; 204 units
	Nishikujozao-cho, Minami-ku, Kyoto	A	JR Kyoto Station; 120 units
	Oi-cho, Nakagyo-ku, Kyoto	A	Karasuma-marutamachi Station of Karasuma Subway Line; 12 units
Fiscal year ending Mar. 2021	Onoe-cho, Naka-ku, Yokohama	A	JR Kannai Station; 277 units
	2-chome, Nishi, Naha	A	Asahibashi Station of Okinawa Monorail; 240 units
	2-chome, Motomachi, Naniwa-ku, Osaka	A	JR Namba Station; 300 units
	Sennichimae, Chuo-ku, Osaka	A	Namba Station of Midosuji Subway/Nankai Line; 182 units

*indicates renovated one.

4. Interview with Vice President Doi

We interviewed Vice President Doi about the present situation, new projects, etc.

Q: “There were many inappropriate incidents taking place in the real estate industry, but did they affect your business anyway?”

A: “There was no negative effect. Rather, the situation has turned such that customers are now choosing our company for its reliability and product superiority, and sales of studio condominiums are growing further than before the incidents.”

To be honest, we were worried that people’s interest in real estate investment would decline, but the fear turned out to be completely groundless.

When our sales staff asked customers about their views on the occurrence of those incidents, majority of them told us that

Bridge Report



the incidents made them want to buy from a responsible, reliable and renowned real estate agent that provides sufficient after-sales services, rather than refraining from investing while there was still distrust toward real estate agents. These incidents will prompt customers to be more watchful for selecting a real estate agent.

In the midst of this, the situation has turned such that, thankfully, more and more customers are preferring our company for its “product superiority,” such as location, price and quality, and “the company’s reliability,” such as brand value, popularity, after-sales services offered with responsible rental management after the purchase, past performance as well as sales volume. As a result, the sales of studio condominiums are growing further with the increases in the number of new customers and the number of orders by 64% and 28% respectively during the first half of the current fiscal year than the second half of the previous fiscal year.

We believe that our company’s share will increase further in the studio condominium market, and our dominant strategy will function more effectively.

Q: “The extremely high occupancy rate of Pressance’s studio condominium is striking. What are the possible reasons behind it?”

A: “We frequently collect information about the needs of occupants from the rental agents who are speaking on behalf of them and reflect their needs in the process of building condominiums.”

It is obvious that a rental agent helping occupants would prefer “easy to promote and to be chosen” properties. Regarding studio condominiums, we are happy that many rental agents prefer to promote Pressance’s condominiums first because of their favorable conditions such as location, room layout, facilities and rent fee.

We frequently collect information about the needs of occupants from the rental agents who are speaking on behalf of them and reflect their needs in the process of building condominiums. We have built a favorable cycle that the condominium quality to satisfy occupants’ needs based on the collected information produces high occupancy rate, and the high rate leads to the steady growth of condominium sales business conclusively.

Q: “Please tell us about your recent projects.”

A: “We have started a private lodging business in response to the rising demand of foreign tourists in Japan, utilizing the know-how of condominium construction that we have developed so far. In addition, we will make investments to enhance brand power and the level of recognition further and will engage in IT system development in order to build closer customer relation. We strive to expand the scale of the company further, so please look forward to our future business.”

Osaka is designated as an area of Special Zone Private Lodging, and therefore private lodging business can operate for 365 days a year. We considered starting a private lodging business in response to the rising demand of foreign tourists to Japan, utilizing the know-how of condominium construction that we have developed so far. And we decided on having a business alliance with the world’s largest private lodging operating company Airbnb Japan.

We will not be handling the private lodging itself, of course, but will be constructing buildings in appropriate location as private lodging facilities after considering various conditions such as convenience of access and cost of construction including acquisition cost of land. And we will lease them to the private lodging operating company. We are considering to sell the buildings eventually.

As our first project, we are constructing a building exclusively for private lodging in Shin-Imamiya, Osaka, scheduled to be completed in autumn 2019. JR/Nankai Dentetsu Shin-Imamiya Station, which is the nearest station and within walking distance from the building. The location is highly convenient and is only around 40 minutes away from Kansai International Airport by a direct train. Since a famous resort hotel is scheduled to open in its vicinity, higher demand for the building is anticipated.

We plan to promote property development for private lodging further.

Also, we will make investments to enhance brand power as well as the level of recognition further and engage in IT system development in order to build closer customer relation.

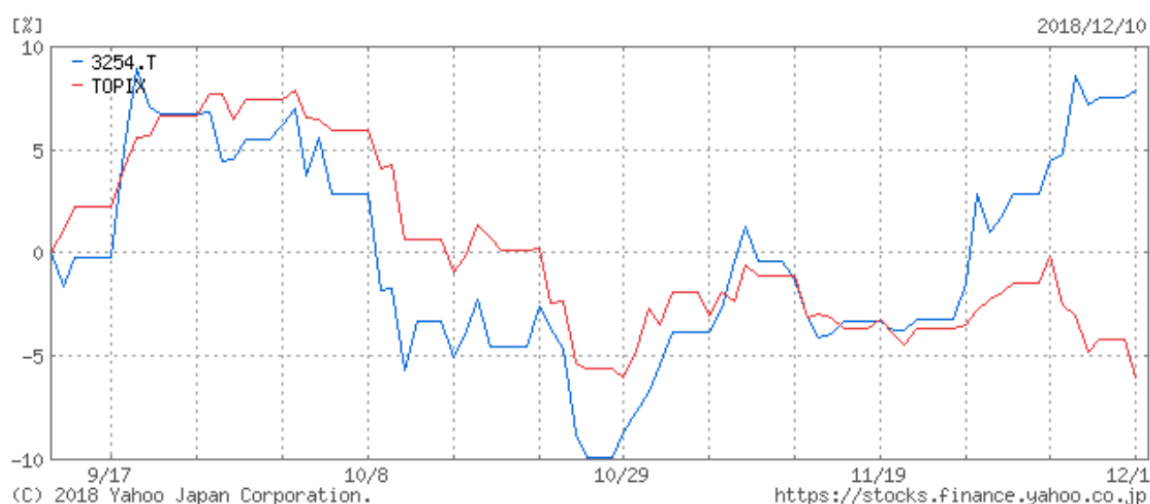
As I already said, we are currently under a favorable situation that customers are more likely to prefer our company to competitors. Taking this as a chance, we strive to expand the scale of the company further, so please look forward to our future business.

5. Conclusions

A few scandals that were detected and related to investment properties only highlighted the strengths of Pressance.

As Pressance's "strong selling power," one of its strengths, allows sales staff members to build up successful experiences under a favorable environment, they are able to grow faster, and some of the new employees are already acting as important forces of the company only 6 months after they joined. This is resulting in further strengthening of the selling power in addition to much lower turnover rate, and the operating base is becoming more solid eventually.

As Pressance will most likely achieve the goals for the whole fiscal year, its stock price, which has been trending down for long, is finally reversing its course while TOPIX fell to the lowest level since the beginning of the year. We would like to watch the future trend.



Relative stock price (3 months) Blue: Pressance Corp., Red TOPIX

<Reference1: Medium-Term Management Plan>

The company announced the 3-year medium-term management plan, which begins this fiscal year.

Outline

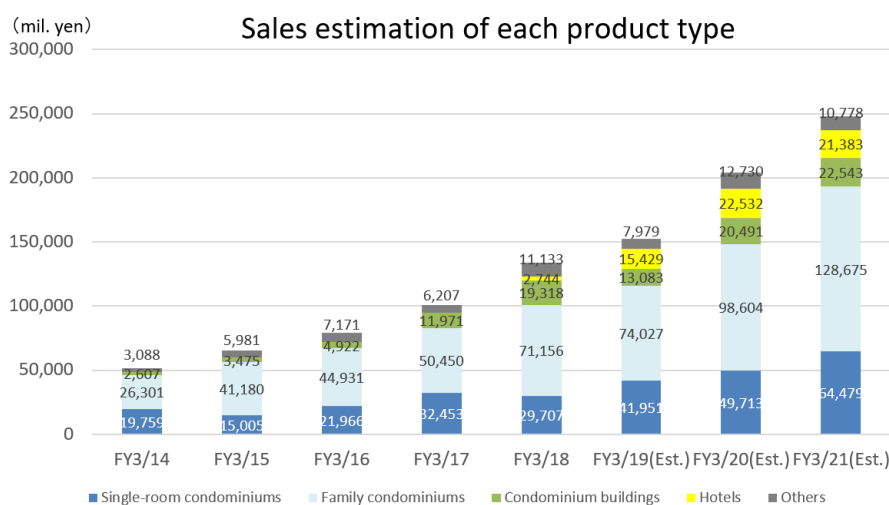
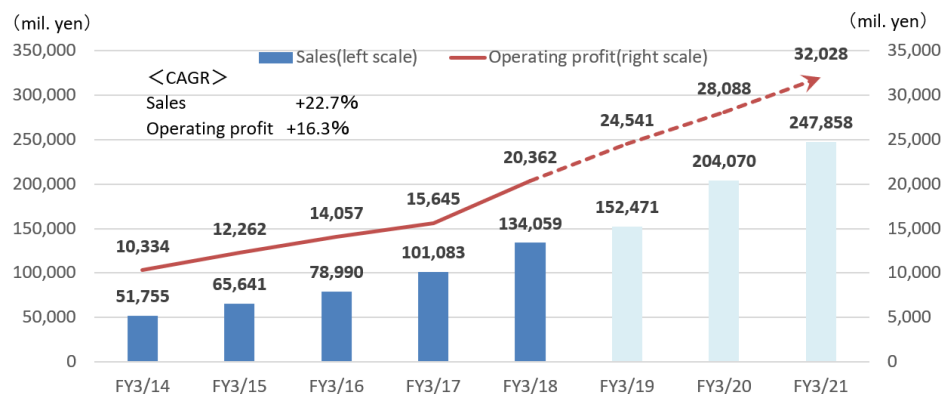
Performance goals	Sales: 247.8 billion yen Operating profit: 32 billion yen
Managerial goals	Operating profit: over 10% y/y growth Payout ratio: gradually increase to 20% in 5 years Total dividend amount: 15% or greater y/y growth

The business strategies for achieving the goals are to expand the market share in existing major areas, including Osaka, Kobe, Kyoto, Nagoya, the Tokyo Metropolitan Area and Okinawa. And it intends to strengthen market position in new target areas, including Hiroshima, Hakata, and other local cities. Consequently, the company aims to increase the number of supplied and sold condominiums that meet market needs and are highly convenient.

Bridge Report



(Trends of Sales, Profit)



- ✧ Both sales and profit are forecasted to increase at an annual growth rate of about 20% during the period of the medium-term management plan.
- ✧ As for the performance of each product category, the sales of studio and family-type condominiums are expected to rise steadily. The forecasted annual average growth rate in the three years is 29.5% for studio condominiums and 21.8% for family-type condominiums.

Dividends

As mentioned above, the company will increase the total dividend amount 15% or greater from the previous fiscal year, by “expanding the dividend resource (boosting operating profit 10% or greater from the previous fiscal year)” and “raising payout ratio to 20% in five years.”

*To increase the total dividend amount 15% or over from the previous fiscal year

*To raise payout ratio to 20%

* Forecasted net income in the medium-term management plan

*No. of outstanding shares excluding treasury shares as of the end of March 2018: 59,953,448

Based on the above assumptions, the company forecasted the total dividend amount and EPS as follows.

	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19	FY 3/20	FY 3/21
Total dividend amount [million yen]	766	769	882	1,250	1,762	2,098	2,600	3,150
EPS [yen]	103	126	152	179	233	269	309	350

*The figures from FY 3/19 are for reference.

The total dividend amount and EPS will be increased 1.8 times and 1.5 times, respectively, in the next three fiscal years.

Bridge Report



For achieving the forecasts

*Favorable progression of land acquisition.

The target total sales in 3 years of the medium-term management plan are 604.3 billion yen. The company has already acquired land worth 142.1 billion yen necessary for achieving target sales in each fiscal year and is proceeding with construction and sales.

In addition, the company has acquired land for its own property worth 6.3 billion yen.

*High rate of securing sales

As mentioned in the section “Earnings forecast for the fiscal year ending Mar. 2019”, 1271 units, 26.1 billion yen, is scheduled to be delivered to customers in this fiscal year among the backlog of orders at the end of September 2018. As of the end of the first half of Mar. 2019, the projected sales of this term adding actual sales of the first term 4760 units, 116.7 billion yen, is 6031 units, 142.8 billion yen.

This number accounts for 98.9% of the forecasted 144.4 billion yen sales of the condominium sale business.

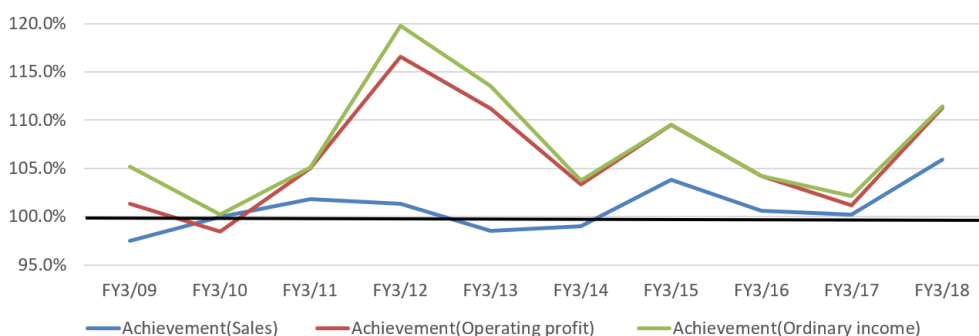
As a feature of the company, a new accounting period begins with a high progression rate (rate of securing target sales). For the fiscal year ending March 2019, the rate is higher than the past.

*Target performance achievements

The company, which was listed in December 2007, has announced financial results ten times between the fiscal year ended March 2009, in which initial forecasts were announced for the first time, and the fiscal year ended March 2018, and marked extremely high rates of achieving the initial forecasts.

Sales did not reach the forecasts in 2009 and 2010 in the wake of Lehman’s fall and in 2013 and 2014, in which the company focused on profit. Operating profit did not reach the forecast only at the time of Lehman’s bankruptcy. Ordinary income never failed to reach the forecast.

Target performance achievements



<Reference2: Regarding Corporate Governance>

◎ Organization category, and the composition of directors and auditors

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

◎ Corporate governance report

Last modified: November 22, 2018.

<Basic policy>

We consider corporate governance as the principal framework within which the corporate management of the relationship with various stakeholders, such as shareholders, customers, employees, business partners and local communities, is conducted and believe that putting the followings into practice will shape such a framework.

We recognize the maximization of shareholder profit as our most important duty while putting the followings into

Bridge Report



practice at the same time.

*Compliance with laws and regulations

We believe that good practice of compliance helps avoid direct damage caused by scandals and improve our brand value and corporate image as the “trustworthy” and “sincere” company and further leads to enhancement of financial performance from the medium to long-term perspective and higher corporate value.

*Risk management

We think risk management is about taking control of threats and risks of events or actions that prevent the company from accomplishing its objectives with considering its cost-effectiveness.

*Accountability

As the word commonly means the responsibility to explain, we consider it as our duty to provide a logical explanation for the consequences caused by the action authorities took and did not take.

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

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

All principles are provided based on the Corporate Governance Code revised in June 2018.

<Major disclosed principles>

Principle	Disclosed content
【 Principle 1-4 So-called strategically-held shares】	<p>(1) Pressance may hold the shares of a business counterparty, in order to foster a good relation with the counterparty and conduct business smoothly. The company will keep holding the shares of business counterparty 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.</p> <p>(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.</p>
【Principle 5-1 Policy for construction dialogue with shareholders】	<p>Pressance considers shareholders and investors as important stakeholders and will make constructive communications with shareholders and investors by using various opportunities, including general meetings of shareholders, in order to achieve sustainable growth and improve its corporate value.</p> <ul style="list-style-type: none"> •The communications with shareholders and IR activities are managed by the directors in charge of the management department, making efforts to actualize constructive communications with shareholders. For smooth communications with shareholders, the accounting and general affairs departments are supporting IR activities. •As a means for communications with shareholders and investors, the company holds interviews with shareholders and institutional investors via securities firms. •The director in charge in the management department reports the opinions and worries of shareholders, which are grasped through the communications with them, to the board of directors if necessary. And the company reflects them to the business. •The insider information in communications is handled in accordance with the regulations for the management of insider transactions.

Bridge Report



This report is intended solely for information purposes, and is not intended as a solicitation for investment. The information and opinions contained within this report are made by our company based on data made publicly available, and the information within this report comes from sources that we judge to be reliable. However we cannot wholly guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

Copyright (C) 2018 Investment Bridge Co., Ltd. All Rights Reserved.