



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	https://www.pressance.co.jp/	

— Stock Information —

Share Price	Number of shares issued		Total market cap	ROE (Actual)	Trading Unit
¥1,430	61,613,600 shares		¥88,107 million	19.2%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥25.00	1.7%	¥207.04	6.9 times	¥1,008.49	1.4 times

*The share price is the closing price on June 21. 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 fiscal year March 2017, future growth strategies and so on.

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Key Points

• **Pressance Corporation is an independent condominium developer that plans, develops, and sells family and single-room condominiums mainly in the Kinki, Tokai, and Chukyo regions, based on the business model of “creating high added value for real estate.” The company supplies the largest number of condominium units in each of the Kinki, Tokai, and Chukyo regions. In Japan, the company ranks 4th. Its major strengths include plentiful experience of supplying condominiums, large market share, high sales capacity, and sound financial position.**

• **The sales for the term ended March 2017 were 101,083 million yen, up 28 % year on year, crossing the 100,000 million yen mark for the first time. Although gross profit rate declined 2.5% due to increase in the cost to acquire development sites and high construction cost, gross profit increased. SG&A expenses rose, but it was offset by sales growth. Operating income increased 11.3% year on year to 15,645 million yen, and ordinary income grew 11.7% year on year to 15,414 million yen. Operating income, ordinary income, and net income increased in double digits for the 7th consecutive term and marked a record high. It was as initially estimated.**

• **The sales for the term ending March 2018 are estimated to grow 25.2% year on year to 126,562 million yen. Due to augmentation of the costs for acquiring development sites and constructing condominiums, gross profit ratio is estimated to decrease by 0.9%. Accordingly, SG&A expenses are estimated to increase about 25.6% year on year due to growing merchandising expenses necessary for such as sale of model rooms associated with increase of sales of family condominiums and increase in employees associated with business expansion. However, it will be offset by sales growth, and operating income is projected to grow 17.0% year on year to 18,301 million yen. Its dividends 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 is already high at 70.8%, indicating only small risks of downward swing of business performance. In addition, hotel business is showing steady growth, which will contribute to further expansion of the business performance. We would like to pay attention to the progress of its development strategies including expansion in the other regions and overseas businesses.**

1. Company Overview

Pressance Corporation is an independent condominium developer that plans, develops, and sells family and single-room condominiums mainly in the Kinki, Tokai, and Chukyo regions, based on the business model of “creating high added value for real estate.” The company supplies the largest number of condominium units in each of the Kinki, Tokai, and Chukyo regions. In Japan, the company ranks 4th. 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.

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.

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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.

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 2015), 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
1	Pressance Corporation	2,435	1	Pressance Corporation	768
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			
4	Pressance Corporation	3,225			
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
3254	Pressance Corporation	101,083	15,414	185,307	14,324	122,174	101,101
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
3254	Pressance Corporation	11.7%	32.0%	54.6%	15.2%	19.2%	87,121	6.8	1.4
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 June 16, 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 despite that its share price has risen.

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

【Business contents】

Pressance Corporation has two business segments: “real estate sale business,” in which the company plans, develops, and sells single-room condominiums for investment and family condominiums for 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 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	About 50 to 100 m 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 100 m ²	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%	-	-
Real estate sale business	97,297	100.0%	4,372	100.0%
Others	3,786	3.7%	-	-
Total	101,083	100.0%	4,372	100.0%

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

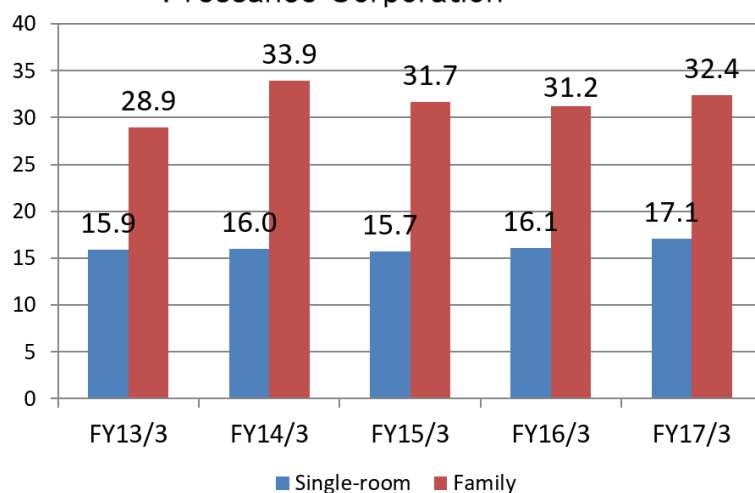
* The sale of other housing includes used houses and single-family houses, other than newly built condominiums.

* 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.

Average price of condominiums of Pressance Corporation

(Unit: ¥ mil.)



◎ Sales by region

The cumulative sales volume during a period from November 1998, in which the company started selling original brand condominiums, to the end of March 2017 are 510 buildings and 33,156 condominium units nationwide, mainly in the Kinki, Tokai and Chukyo regions.



Pressance Shin-Osaka The City
(Osaka)



Pressance Loger Karasuma-Gojo
(Kyoto)



Pressance Gene Shin-Kobe
Station Front (Kobe)

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Prefecture	No. of buildings	No. of units
Osaka	226	14,799
Aichi	120	7,612
Kyoto	66	3,211
Hyogo	53	4,129
Shiga	9	1,355
Okinawa	15	689
Tokyo	12	660
Kanagawa	2	226
Others	7	475
Total	510	33,156

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

In the previous 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

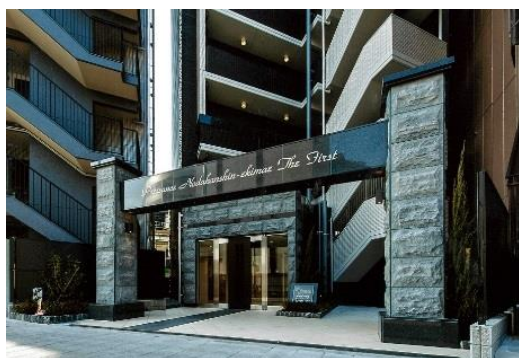
The customers are highly satisfied with “locations,” “facilities” and “prices.”

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.

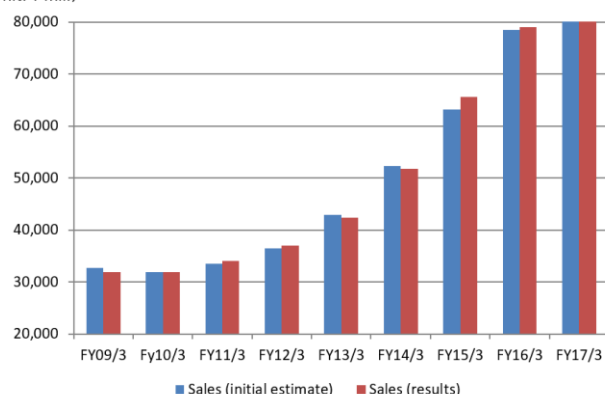
Because of Pressance Corporation's fast decision-making and strong brand power, an increasing number of brokers contact Pressance first rather than other large developers even on large-scale projects.

(6) Stable earning capability

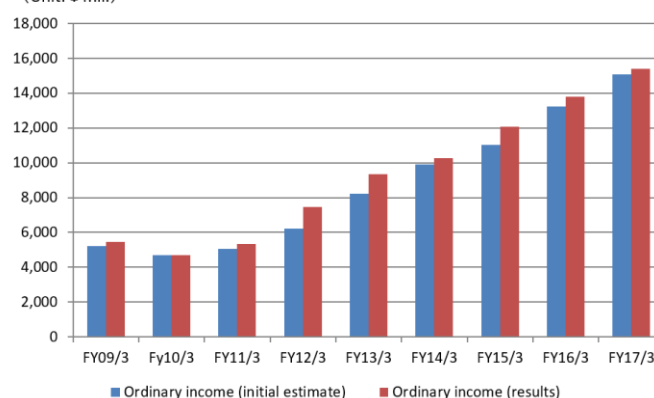
Pressance Corporation was listed in the stock market in December 2007, and it has released its financial statements 9 times from the term ended March 2009 to the term ended March 2017. Comparing the initial estimates and the actual results of sales and ordinary income, sales did not reach the initial 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
ROE (%)	18.5	18.2	18.9	19.4	19.2
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. Fiscal Year March 2017 Earnings Results

(1) Consolidated Business Results

(unit: million yen)

	FY 3/16	Ratio to sales	FY 3/17	Ratio to sales	YOY	Compared with the initial forecast
Sales	78,990	100.0%	101,083	100.0%	+28.0%	+0.2%
Gross margin	23,379	29.6%	27,432	27.1%	+17.3%	-0.7%
SG&A expenses	9,321	11.8%	11,786	11.7%	+26.4%	-3.0%
Operating income	14,057	17.8%	15,645	15.5%	+11.3%	+1.2%
Ordinary income	13,798	17.5%	15,414	15.2%	+11.7%	+2.2%
Net income	9,194	11.6%	10,526	10.4%	+14.5%	+1.9%

Healthy growth despite increased sales and decreased profit

The sales were 101,083 million yen, up 28 % year on year, crossing the 100,000 million yen mark for the first time. Although gross profit rate declined 2.5% due to increase in the cost to acquire development sites and high construction cost, gross profit increased. SG&A expenses rose, but it was offset by sales growth. Operating income increased 11.3% year on year to 15,645 million yen, and ordinary income grew 11.7% year on year to 15,414 million yen.

Operating income, ordinary income, and net income increased in double digits for the 7th consecutive term and marked a record high.

It was as was initially estimated.

(2) Trends by segment

	FY 3/16	Ratio to sales	FY 3/17	Ratio to sales	YOY
Sales					
Real estate sale business	75,745	95.9%	97,297	96.3%	+28.5%
Others	3,244	4.1%	3,786	3.7%	+16.7%
Total	78,990	100.0%	101,083	100.0%	+28.0%
Operating income					
Real estate sale business	13,531	17.9%	15,273	15.7%	+12.9%
Others	1,211	37.3%	1,278	33.8%	+5.5%
Adjustment	-684	-	-906	-	-
Total	14,057	17.8%	15,645	15.5%	+11.3%

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

(Real estate sale business)

The sales of Pressance Shin-Osaka The City (186 condominium units in total) of the single-room condominium “Pressance Series,” etc. have been healthy.

Sales results for the term ended March 2016

(unit: million yen)

Type	Sales	YOY	No. of units	YOY
Single-room condominiums	32,453	+47.7%	1,892	+38.5%
Family condominiums	50,450	+12.3%	1,544	+8.0%
Sale of condominium buildings	11,971	+143.2%	900	+124.4%
Sale of other housing	1,038	-17.4%	36	-18.2%
Sale of other real estate	878	-63.2%	-	-
Business accompanying real estate sale	504	+80.6%	-	-
Total sales of real estate sale business	97,297	+28.5%	4,372	+34.9%

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- * The sale of condominium buildings means the wholesale of the whole or part of each condominium building to condominium dealers.
- * The sale of other housing means the sale of houses, including used houses and detached houses, other than newly built condominiums.
- * The sale of other real estate means the sale of real estate, including commercial stores and sites for development, other than housing.
- * Business accompanying real estate sale includes the agent commission for condominium sale and paperwork accompanying real estate sale.

(Others)

The performance of real estate for lease owned by the company has been healthy, and the income from rents increased.

(3) Financial condition and cash flow

◎ Main BS

(unit: million yen)

	End of Mar. 2016	End of Mar. 2017		End of Mar. 2016	End of Mar. 2017
Current assets	117,887	171,810	Current liabilities	22,171	49,438
Cash and deposits	22,887	30,534	Trade payables	4,864	7,786
Real estate for sale	4,173	14,324	Short-term interest-bearing debts	5,408	25,410
Real estate for sale in process	88,376	122,174	Noncurrent liabilities	51,781	76,253
Noncurrent assets	6,390	13,497	Long-term interest-bearing debts	51,297	75,691
Property, plant and equipment	5,687	11,865	Total liabilities	73,953	125,691
Intangible assets	24	276	Net assets	50,324	59,615
Investments and other assets	678	1,354	Equity	50,191	59,318
Total assets	124,277	185,307	Total liabilities and net assets	124,277	185,307
			Balance of interest-bearing debts	56,706	101,101

* Trade payables include electronically recorded accounts payable.

Real estate for sale was 14,300 million yen, up 10,100 million yen from the end of the previous term. Real estate for sale in process was 122,100 million yen, up 33,700 million yen from the end of the previous term.

Both short-term interest-bearing liabilities and long-term interest-bearing liabilities increased, and total interest-bearing liabilities were 101,100 million yen, up 44,300 million yen from the end of the previous term. As a result, capital-to-asset ratio dropped by 8.4% to 32.0%.

The inventory assets of acquired sites, which are calculated by subtracting construction fees, etc. from the inventory assets in the BS (sum of real estate for sale and real estate for sale in process), was 19,264 million yen (5,103 units) for single-room condominiums and 46,715 million yen (5,850 units) for family condominiums.

Under the assumption that the company will sell about 1,700 single-room condominiums and about 1,900 family condominiums every term from now on, it can be said that the company has already secured enough sites for both types for the coming three terms till the term ending March 2020.

The inventory assets of hotels, which are the company's current focus, were 5,518 million yen (1,180 units), including the hotels to be sold during the current and next terms.

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.

Sales and profit are estimated to grow for the 8th consecutive term, both making record highs.

The sales are estimated to grow 25.2% year on year to 126,562 million yen.

Due to augmentation of the costs for acquiring development sites and constructing condominiums, gross profit ratio is estimated to decrease by 0.9%. Accordingly, SG&A expenses are estimated to increase about 25.6% year on year due to growing merchandising expenses necessary for such as sale of model rooms associated with increase of sales of family condominiums and increase in employees associated with business expansion. However, it will be offset by sales growth, and operating income is projected to grow 17.0% year on year to 18,301 million yen.

Its dividends 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 2017						
Category	Breakdown					
	To be transferred this term		Condominium sale business		To be transferred the next term	
	No. of units	Amount (A)	Estimated sales for this term (B)	Rate of progress toward estimated sales (A ÷ B)	No. of units	Amount
Single-room	783	13,249	29,282	45.2%	0	0
Family	1,341	50,948	66,577	76.5%	715	27,867
Sale of condominium buildings	1,097	16,514	19,300	85.6%	147	2,022
Hotel	183	2,720	2,720	100.0%	318	5,740
Total	3,404	83,433	117,881	70.8%	1,180	35,630

(3) Trend of each business segment

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%	-
Total sales of condominium sale business	94,875	100.0%	117,881	100.0%	+24.2%

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 m² for compact type to an over 130 m² 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 March 2017, 289 units are under contract (contract rate 85.8%).

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 March 2017, 364 units are under contract (contract rate 74.9%).

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



(2) Progress of Area Strategies

a) **Area strategies - expanding in new areas -**

As new business areas, the company decided to expand its business into Hiroshima and Hakata, and the projects are

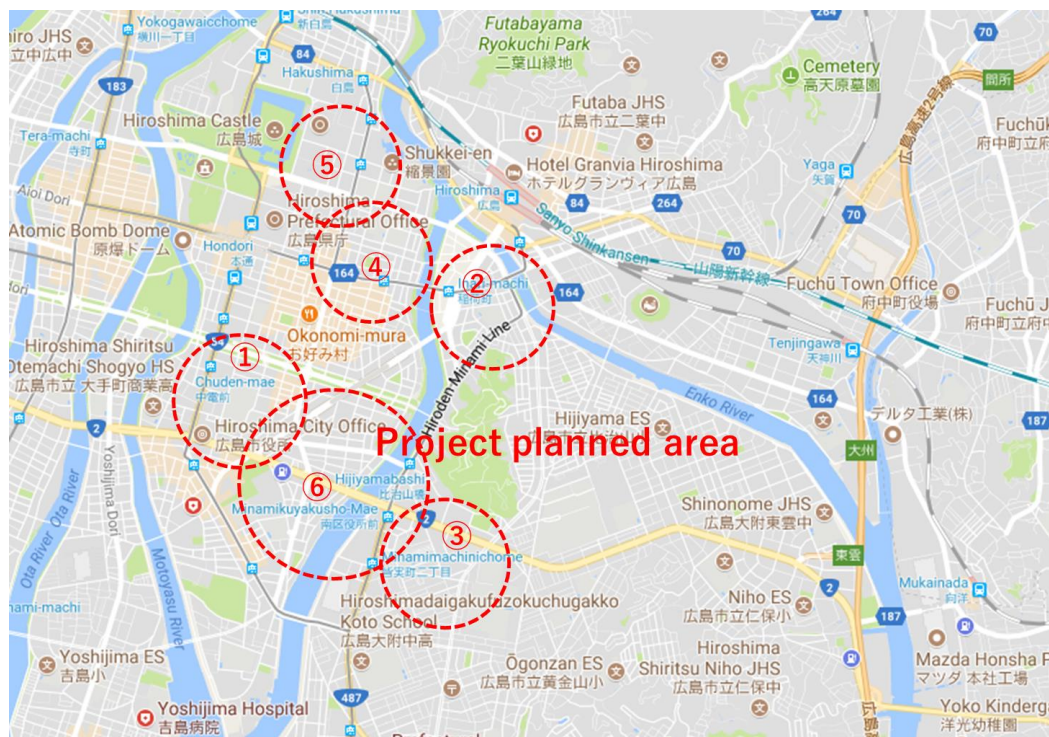
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underway. Both areas offer strong condominium markets because they have large population, many company offices, schools and commercial facilities.

These areas are also well known as tourist destinations, and in-bound demand is expected to increase. Therefore, the company will also run the hotel business in these areas. Similar to the businesses in the Tokai and Chukyo regions, the company is planning to increase its share by steadily supplying single-room, family and mixed condominiums in addition to hotels or single homes that match to the community's needs in the areas.

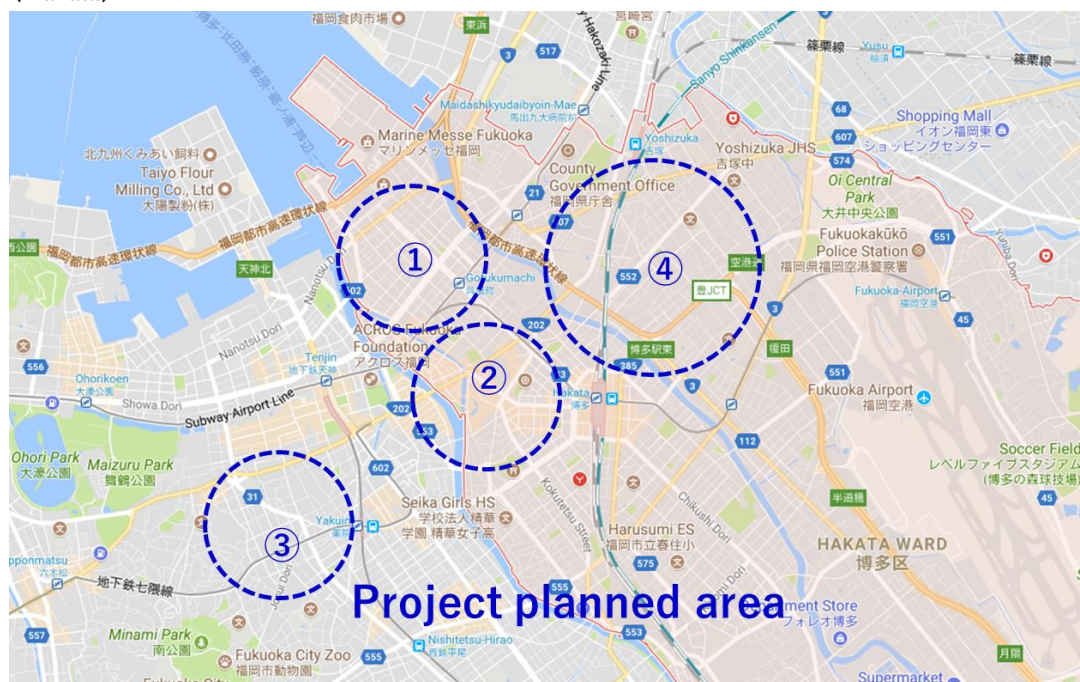
(Hiroshima)



① Kokutaiji, Naka-ku	Single-room condominium 110 rooms
② Matoba-chou, Minami-ku	Family condominium 84 rooms
③ Minami, Minami-ku	Family condominium 127 rooms
④ Nobori-chou, Naka-ku	Hotel 126 rooms
⑤ Kaminobori-chou, Naka-ku	Family condominium 48 rooms
⑥ Naka-ku	Family condominium 52 rooms

Since the third quarter of the fiscal year March 2017, ⑤ and ⑥ areas have been added

(Hakata)



①Shimo Gofuku-chou, Hakata-ku	Family condominium 72 rooms
②Kami Kawabata-chou, Hakata-ku	Hotel 212 rooms
③Yakuin, Chuo-ku	Family condominium 33 rooms
④Hakata-ku	Family condominium 47 rooms

Since the third quarter of the fiscal year March 2017, ③ and ④ areas have been added.

(3) Progress of M&A strategies

Followed by the acquisition of 100% share of SANRITSU PRECON Co., Ltd. (Okazaki city, Aichi) in November 2016, the company made Lala Place Co., Ltd. a 100%-owned subsidiary in April 2017. Its head office is in Osaka, and its main business is to plan and sell single-room condominiums for investment in the Kinki region.

The reason for having acquired it is that the company is anticipating to strengthen its sales capacity for the sales of family condominiums in Okinawa as Lala Place has many experienced sales staff who can immediately contribute to strengthen the sales capacity of the company and sells family condominiums in Okinawa.

(4) Hotel business development

The company is currently developing 14 properties. It also purchased a hotel in operation.

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

A	To sell to other hotel business companies	8 properties
B	To own hotel and outsource operations to the other company	4 properties
C	To keep the hotels by the company and jointly operate with other hotel operation companies under the name of Pressance.	3 properties

Scheduled date of completion	Address	Operation method	Outline
Term ending Mar. 2018	Inari, Naniwa-ku, Osaka-shi	A	In the vicinity of JR Nanba Station; 72 units
	Motomachi, Naniwa-ku, Osaka-shi	A	In the vicinity of JR Nanba Station; 111 units
	Hiranomachi, Chuo-ku, Osaka-shi	C	In the vicinity of Kitahama Station of Sakaisuji Subway Line; 116 units
Term ending Mar. 2019	Shikitsuhigashi, Naniwa-ku, Osaka-shi	A	In the vicinity of Daikokucho Station of Midosuji Subway Line; 300 units
	Minamisenba, Chuo-ku, Osaka-shi	C	In the vicinity of Shinsaibashi Station of Midosuji Subway Line; 124 units
	Omiya-dori, Shimogyo-ku, Kyoto-shi	A	In the vicinity of Omiya Station of Hankyu Line; 122 units
	Nobori-cho, Naka-ku, Hiroshima-shi	B	In the vicinity of Ebisucho Station of Hiroden Main Line; 126 units
	Kamikawabatamachi, Hakata-ku, Fukuoka-shi	A	In the vicinity of Nakasukawabata Station of Hakozaki Line of Fukuoka City Subway; 204 units
	Nishimiyahara, Yodogawa-ku, Osaka-shi	A	In the vicinity of JR Shin-Osaka Station; 120 units
	Minato-cho, Naka-ku, Yokohama-shi	B	In the vicinity of JR Kannai Station; 256 units
	Honmachi, Chuo-ku, Osaka-shi	A	In the vicinity of Honmachi Station of Midosuji Subway Line; 215 units
	Nakagyo-ku, Kyoto-shi	C	63 units
Term ending Mar. 2020	Nishinakajima, Yodogawa-ku, Osaka-shi	A	In the vicinity of Nishinakajima Station of Midousuji Subway Line; 152 units
	Nakagyo-ku, Kyoto-shi	B	137 units

Purchase	Address	Outline
Term ending Mar. 2017	Gokodori, Chuo-ku, Kobe-shi	In the vicinity of JR Sannomiya Station; 135 units

(5) Progress on overseas business

<Progress on the overseas project with Sanei Architecture Planning Co., Ltd. >

* Project in Vietnam

The project for large-scale development of houses for sale in Ho Chi Min city in Vietnam is undertaken by “PROSEHRE Co., Ltd.”, which was jointly established with Sanei Architecture Planning Co., Ltd. (1st Section of Tokyo Stock Exchange, 3228), and is now applying for permission of a partial change from the initial construction plan.

The development is progressing without problem towards completion in April 2020 as was initially planned. The sales are projected to begin in November 2017.

Site area: 10,076 m²

Construction period: Beginning in October 2017, ending in April 2020.

Total estimated sales from the project: About 5.8 billion yen

* Project in the USA

The company will begin a real estate development project in the USA in collaboration with Sanei Architecture Planning Co., Ltd.

Population in the USA is growing due to high birth rate which is exceptional among developed countries. Furthermore, it is anticipated that the demand for the houses for both sale and rent among the millennials (people who were born from the 1980s to 1990s) will show healthy growth.

In order to respond to such demands, the company and Sanei Architecture Planning Co., Ltd. has jointly established a local company in California, and a real estate development project called “Inglewood Project” will begin.

The site area is 3,460 m², and the total floor area is 9,856 m². The total number of units is 116.

The construction will begin in August 2017 and complete in February 2019.

The sales estimated from the entire project is projected to be about 4.7 billion yen.

5. Conclusions

The projected delivery amount of the term against the projected sales of the term for the condominium sales business has already reached 70.8%, indicating only small risks of downward swing of business performance. In addition, hotel business is showing steady growth, which will contribute to further expansion of the business performance. We would like to pay attention to the progress of its development strategies including expansion in the other regions and overseas businesses.

<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 23, 2016.

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

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

<Major disclosed principles>

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

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	<p>of shareholders, in order to achieve sustainable growth and improve its corporate value.</p> <ul style="list-style-type: none"> •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. •As a means for dialogue with shareholders and investors, the company holds individual interviews with shareholders and institutional investors via securities firms. •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. •The insider information in dialogues is handled in accordance with the regulations for the management of insider transactions.
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