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	http://www.pressance.co.jp/ir/ir6.html#english

— Stock Information —

Share Price	Number of shares issued		Total market cap	ROE (Actual)	Trading Unit
¥1,778	62,365,600 shares		¥110,886 million	20.8%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥35.00	2.0%	¥269.09	6.6 times	¥1,221.10	1.5 times

*The share price is the closing price on June 7. 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 fiscal year ended March 2018, medium-term management plan and more.

— Table of Contents —

Key Points

· Sales in the fiscal year ended March 2018 were 134 billion yen, up 32.6% year on year. Sales were favorable in all segments of the real estate sale business. Operating profit was 20.3 billion yen, up 30.1% year on year. SG&A expenses augmented 19.8%, but they were offset by increased sales.
Ordinary income was 19.8 billion yen, up 28.8% year on year. Both sales and profits exceeded revised forecast, marking record highs.

· Sales for the fiscal year ending March 2019 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 low-cost rate. SG&A expenses will also augment due to an increase in employees but will be offset by sales growth. Operating profit will be 24.5 billion yen, an increase of 20.5% year on year. Record highs for both sales and profits are expected.

· Pressance announced a 3-year medium-term management plan starting this fiscal year. Its objective is to achieve sales of 247.8 billion yen and an operating profit of 32 billion yen in the fiscal year ending March 2021. They also set a new target payout ratio, which will gradually be raised to 20% within the next 5 years until the fiscal year ending March 2023.
Pressance aims to grow operating profit by 10% or greater year on year and to increase dividend resource. In addition, the company aims to raise the total dividend amount by 15% or higher year on year.
As for business strategy, it strives to expand the market share in existing major areas, including Osaka, Kobe, Kyoto, Nagoya, Tokyo Metropolitan Area, and Okinawa. The company also intends to strengthen market position in new target areas, including Hiroshima, Hakata, and other local cities, and to increase the number of supplied and sold condominiums that meet market needs and are highly convenient.

· In the previous report, we stated "The progression rate of the condominium sale business at the end of the third quarter is already nearly 100% of the revised forecast, and the abundance of outstanding orders will provide a major benefit to business performance. We look forward to seeing how much more growth can be achieved." The results were exceeding revised forecasts. As for the company's first publicly announced medium-term management plan, the profit margin is assumed as relatively conservative, according to the interview. We would watch the company's medium-term progression with regard to their positive attitude toward profit-sharing.

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 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.

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.)

Code	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%	2,673,613	11.3	1.8
1928	Sekisui House, Ltd.	884.8%	49.4%	25.5%	9.4%	11.6%	1,353,739	9.9	1.1
3231	Nomura Real Estate Holdings, Inc.	39.4%	30.0%	52.4%	10.9%	9.4%	485,768	10.1	0.9
3254	**Pressance Corporation**	**6.2%**	**29.8%**	**58.1%**	**14.8%**	**20.8%**	**110,324**	**6.6**	**1.4**
3289	Tokyu Fudosan Holdings Corporation	79.8%	21.5%	55.6%	7.9%	7.7%	505,615	13.0	1.0
8804	Tokyo Tatemono Co., Ltd.	114.7%	23.9%	56.2%	14.8%	6.8%	324,143	13.0	0.9
8830	Sumitomo Realty & Development Co., Ltd.	96.2%	21.5%	62.8%	19.7%	11.3%	1,958,141	15.0	1.7
8840	Daikyo Incorporated	105.5%	65.2%	9.6%	5.9%	7.7%	216,874	15.0	1.2
8877	Nihon Eslead Corp.	5.8%	61.3%	22.8%	13.9%	11.7%	31,426	7.0	0.8
8897	Takara Leben CO., LTD.	46.0%	24.0%	59.8%	10.6%	18.6%	52,328	7.3	1.1

*The values compared are from the results of the previous fiscal year. Market cap, PER, and PBR are based on the closing price on June 1, 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, and sells 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

(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

Pressance Corporation targets the Kinki and Tokai-Chukyo regions for selling studio condominiums and Tokyo and Okinawa regions in addition to the above regions for selling family-type 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 and Tokai-Chukyo regions and to expand its business to 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 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, 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 Lehman shock, 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.

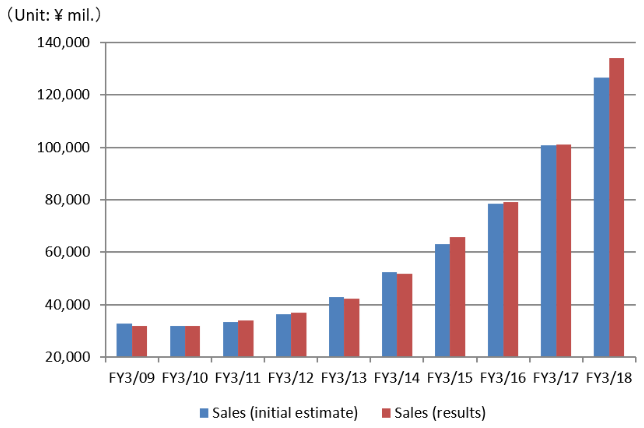
This relation has grown stronger and stronger after the aftershock of Lehman’s fall subsided and is one of the reasons why the company is highly competitive.

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.



【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. Fiscal Year ended March 2018 Earnings Results

(1) Consolidated Business Results (unit: million yen)

	FY 3/17	Ratio to sales	FY 3/18	Ratio to sales	YOY	Compared with the initial forecast	Compared with the revised forecast
Sales	101,083	100.0%	134,059	100.0%	+32.6%	+5.9%	+2.6%
Gross profit	27,432	27.1%	34,484	25.7%	+25.7%	+4.2%	+0.9%
SG&A expenses	11,786	11.7%	14,121	10.5%	+19.8%	-4.6%	+0.7%
Operating profit	15,645	15.5%	20,362	15.2%	+30.1%	+11.3%	+1.1%
Ordinary income	15,414	15.2%	19,858	14.8%	+28.8%	+11.5%	+1.5%
Net income	10,526	10.4%	13,757	10.3%	+30.7%	+13.0%	+2.9%

Sales and profits increased, exceeding the revised forecast and marking record highs.
Sales were 134 billion yen, up 32.6% year on year. Sales were favorable in all segments of the real estate sale business.
Operating profit was 20.3 billion yen, up 30.1% year on year. SG&A expenses augmented 19.8%, but they were offset by increased sales.
Ordinary income was 19.8 billion yen, up 28.8% year on year.
Both sales and profits exceeded revised forecasts, marking record highs.

(2) Trends by segment

	FY 3/17	Ratio to sales	FY 3/18	Ratio to sales	YOY
Sales					
Real estate sale business	97,297	96.3%	129,451	96.6%	+33.0%
Others	3,786	3.7%	4,607	3.4%	+21.7%
Total	101,083	100.0%	134,059	100.0%	+32.6%
Operating profit					
Real estate sale business	15,273	15.7%	19,875	15.4%	+30.1%
Others	1,278	33.8%	1,524	33.1%	+19.2%
Adjustment	-906	-	-1,036	-	-
Total	15,645	15.5%	20,362	15.2%	+30.1%

*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	29,707	-8.5%	1,726	-8.8%
Family-type condominiums	71,156	+41.0%	1,860	+20.5%
Condominium buildings	19,318	+61.4%	1,246	+38.4%
Hotel property	2,744	-	183	-
Total sales of real estate sale business	122,926	+29.6%	5,015	+15.7%

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

The number and the amount of studio condominiums decreased from the previous fiscal year due to a decline in the number of properties transferred during FY3/18, but sales were healthy. Sales of family-type condominiums greatly increased. Sales of condominium buildings also increased, strengthening land procurement.
The company began transferring hotel property (recorded sales) in the fiscal year ended March 2018.

(3) Financial position and cash flow

◎ **Summary of Balance sheet** (unit: million yen)

	End of Mar. 2017	End of Mar. 2018		End of Mar. 2017	End of Mar. 2018
Current assets	171,810	228,067	**Current liabilities**	49,438	67,537
Cash and deposits	30,534	31,374	**Trade payables**	7,786	6,751
Real estate for sale	14,324	11,275	**Short-term interest-bearing debts**	25,410	40,473
Real estate for sale in process	122,174	180,461	**Noncurrent liabilities**	76,253	102,689
Noncurrent assets	13,497	17,331	**Long-term interest-bearing debts**	75,691	102,021
Property, plant and equipment	11,865	14,493	**Total liabilities**	125,691	170,226
Intangible assets	276	431	**Net assets**	59,615	75,172
Investments and other assets	1,354	2,406	**Equity**	59,318	73,204
Total assets	185,307	245,399	**Total liabilities and net assets**	185,307	245,399
			Balance of interest-bearing debts	101,101	142,494

＊Trade payables include electronically recorded accounts payable.

Due to active acquisition of lands for development, there was an increase in the amount of real estate for sale in process. As a result, total assets grew, by 60 billion yen from the end of the previous fiscal year, to 245.3 billion yen. Total liabilities rose by 44.5 billion yen to 170.2 billion yen due to an increase in both short-term and long-term interest-bearing debts and corporate bonds. Net assets grew by 15.5 billion yen to 75.1 billion yen due to the rise in retained earnings. Equity ratio was 29.8%, down by 2.2 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 31,958 million yen (7,288 units) for studio condominiums and 60,272 million yen (7,219 units) for family-type condominiums. Pressance has obtained lands equivalent to roughly the next 3 years of sales for both studio condominiums and family-type condominiums. Similarly, the land price of acquired sites for condominium buildings was 11,443 million yen (2,721 units) and for hotel property sales 12,989 million yen (2,209 units), which means that the company has already acquired lands for sale until the fiscal year ending March 2021.

◎**Cash Flow** (unit: million yen)

	FY 3/17	FY 3/18	Increase/decrease
Operating CF	-25,443	-40,184	-14,741
Investing CF	-6,942	-1,905	+5,036
Free CF	-32,385	-42,090	-9,704
Financing CF	39,997	42,963	+2,966
Cash and equivalents	28,439	29,314	+875

Due to increases in inventories and other factors, the deficit of operating CF expanded. There was less expenditure for acquisition of fixed assets, and the deficit of investing CF shrank. The surplus of financing CF grew due to the issuance of bonds with subscription rights to shares. The cash position improved.

3. Fiscal Year ending March 2019 Earnings Forecasts

(1) Full-year earnings forecast

(unit: million yen)

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

*The estimated values are from the company.

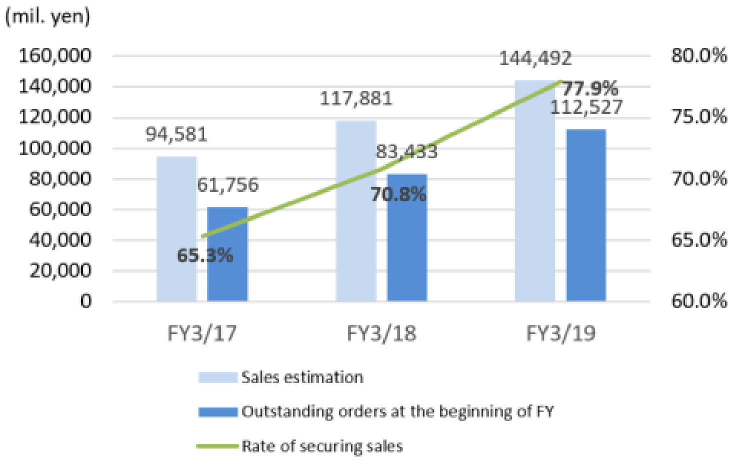
Forecasted double-digit increase in sales and profits this fiscal year

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 relatively low-cost rate. SG&A expenses will also augment due to an increase in personnel 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.

(2) Orders to be filled

Category	To be transferred 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	1,502	27,103	41,951	64.6%
Family	1,662	62,119	74,027	83.9%
Sale of condominium buildings	819	11,547	13,083	88.3%
Hotel	660	11,758	15,429	76.2%
Total	**4,643**	**112,527**	**144,492**	**77.9%**

4,643 units (112.5 billion yen) out of outstanding orders at the end of the fiscal year ended March 2018 will be transferred during the this fiscal year ending March 2019. This figure is equal to 77.9% of the planned sales for the condominium sale business in the fiscal year ending March 2019, meaning that the company has already secured nearly 80% of its forecasted sales. It is characteristic for the company to start a new accounting period with a high progress rate (rate of securing sales), but as seen in the graph below, the rate for the fiscal year ending March 2019 is even higher than previous fiscal years.



(3) Real estate sale business (unit: million yen)

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

Sales of studio condominiums, which declined during the previous fiscal year, are expected to see a substantial increase. Sales of family condominiums will be steady.

◎ Hotel property development

One additional property (144 rooms, located in Sennichimae, Chuo-ku, Osaka City) has been added since Jan. 2018. The company has currently commercialized 19 hotels (17 of which are developed or under development, 1 being renovated, and 1purchased).The company promotes the hotel property business from various directions based on the following two scenarios, considering eventually selling them to REIT or investment fund after continuously accumulating track records.

A	To sell to other hotel business companies	16 properties
B	To own hotels and outsource operations to other companies	3 properties

Scheduled date of completion	Address	Operation method	Outline
Fiscal year ending Mar. 2019	Minamisemba, Chuo-ku, Osaka	A	Shinsaibashi Station of Midosuji Subway Line; 124 units
	Hiranomachi, Chuo-ku, Osaka	A	Kitahama Station of Sakaisuji Subway Line; 116 units
	Nishimiyahara, Yodogawa-ku, Osaka	A	JR Shin-Osaka Station; 120 units
	Gojo-Omiyadori, Shimogyo-ku, Kyoto	A	Omiya Station of Hankyu Line; 122 units
	Shikitsuhigashi, Naniwa-ku, Osaka	A	Daikokucho Station of Midosuji Subway Line; 300 units
	Tenjinyama-cho, Nakagyo-ku, Kyoto	B(To be transferred next fiscal year)	Shijo Station of Karasuma Subway Line; 63 units
	Yasaka-dori, Higashiyama-ku, Kyoto	B(To be transferred next fiscal year)	Shimizu-Gojo Station of Keihan Main Line; 7 units
	Gokodori, Chuo-ku, Kobe	A(purchased)	JR Sannomiya Station; 135 units
Fiscal year ending Mar. 2020	3-chome Nakadori, Akita(※)	B(To be transferred 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; 169 units
	Kamikawabatamachi, Hakata-ku, Fukuoka	A	Nakasukawabata Station of Hakozaki Line of Fukuoka City Subway; 204 units
	Nishikujozao-cho, Minami-ku, Kyoto	A	JR Kyoto Station; 119 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; 234 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; 144 units

*The property in red ink is a newly added one.
※ indicates renovated one.

(4) Dividend policy
The company recognizes that returning profits to shareholders is an important task for management and has set a new goal to "gradually raise the dividend payout ratio to 20% by the fiscal year ending March 2023."
The company's traditional management objective is to grow operating profit by 10% or greater year on year and to increase dividend capital. In addition to this, they aim to raise total dividend amount by 15% or greater year on year. The dividend per share for the fiscal year ending March 2019 is to be 35.00 yen, consisting of a 17.50 yen interim dividend and a 17.50 yen year-end dividend. The forecasted payout ratio is 13.0%.

4. Medium-Term Management Plan

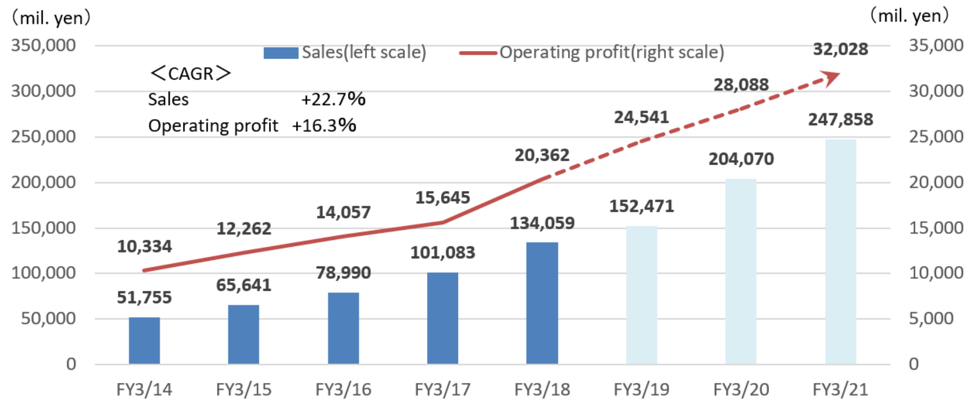
The company announced the 3-year medium-term management plan, which begins this fiscal year.

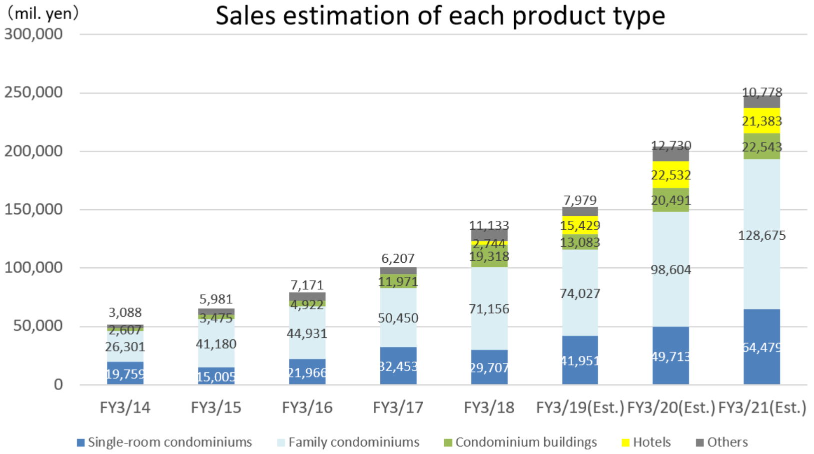
Outline

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.

(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

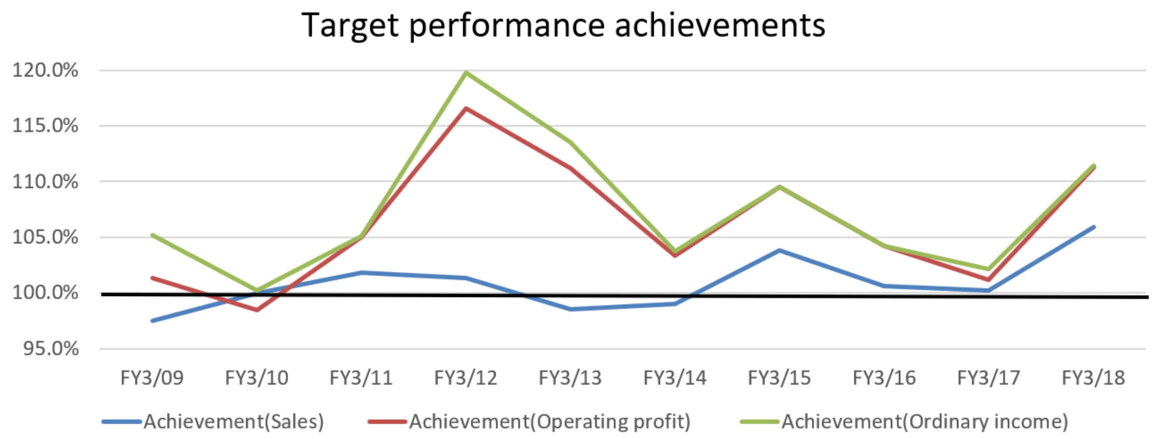
*The figures from FY 3/19 are for reference.

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

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," among the backlog of orders at the end of March 2018, 4,643 units are scheduled to be delivered to customers this fiscal year, attaining sales of 112.5 billion yen, which accounts for 77.9% of the forecasted sales of the condominium sale business in the fiscal year ending March 2019. Namely, around 80% of forecasted sales has been already secured.
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.



5. Interview with Vice President Doi

We interviewed Vice President Doi about the key points of the medium-term management plan, etc.

"We will expand its market share further in existing areas and cultivate markets in new areas."

According to the medium-term management plan announced this time, our company will expand our market share further in Kinki and Tokai-Chukyo regions and energetically carry out procurement and sales activities in new areas, including Hiroshima, Hakata, and other local cities. We can earn sufficient sales and profit in existing areas only, but we will cultivate new markets for further growth.

"While the Japanese market is facing the shortage of manpower, we are securing human resources well. This is attributable to our advantage in selling condominiums."

The issues to be solved for accomplishing the medium-term plan are "the securing and education of personnel." As for the recruitment of sales staff, we have recruited a necessary number of workers smoothly, although the shortage of manpower is now a social issue.

I think there are various factors, but the most important point is that our company has the advantage in selling condominiums.

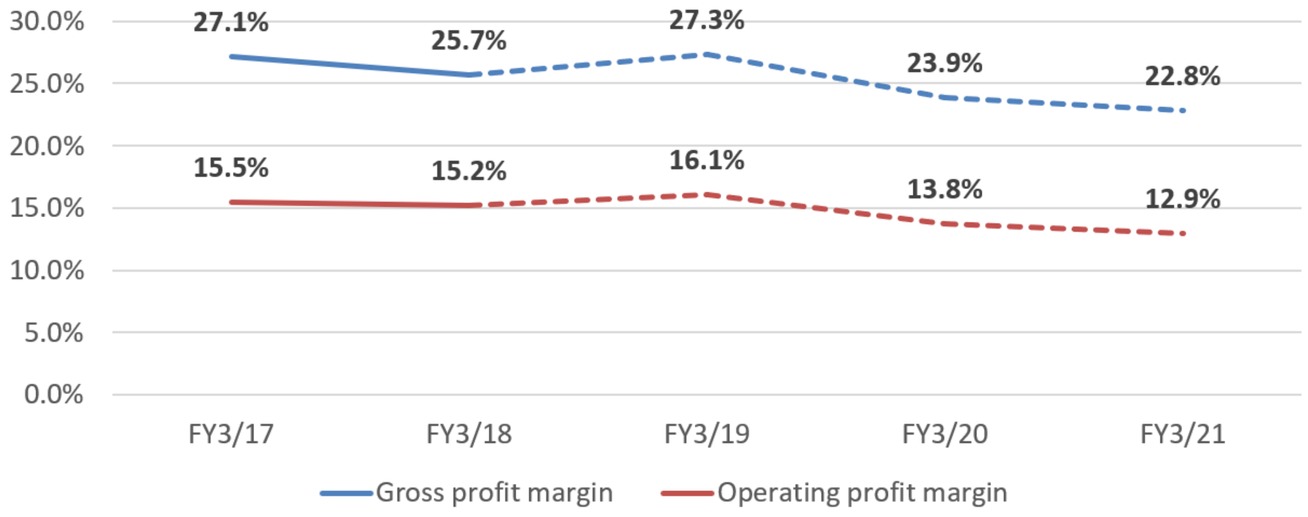
As the noteworthy external environment, market recognition of the popularity and effectiveness of investment in real estates has been widespread steadily, motivating people to invest in studio condominiums. In this situation, our company boasts a top share for the number of units supplied in Kinki and Tokai-Chukyo regions and ranks second in Japan. Thus, our company has been chosen by customers, because we offer high-quality real estate at affordable prices due to our large amount of supply .

Accordingly, even new employees who have just graduated from college can sell the sufficient number of units in a short period of time, continuing to carry out what to do thoroughly .

As our company has a system for training new employees, in which they can grow until they become able to complete a task alone in addition to attractive incentives, we have been able to recruit motivated and earnest college graduates.

"As for profit and profit margin, material cost and selling prices are forecasted in a relatively conservative manner."

The gross profit margin and operating profit margin for the fiscal year ending Mar. 2020 and the fiscal year ending Mar. 2021 are forecasted to decline. This is because the sales composition of products with different profit magin is forecasted to change and because material cost, selling prices of condominiums, etc. are forecasted in a relatively conservative manner.



"We will expand the total dividend amount through profit growth and the increase in payout ratio. We would appreciate the continued support from shareholders and investors from the medium to long-term viewpoint."

As for dividends, we set an explicit basic policy. We will expand the total dividend amount by increasing dividend resource through profit growth by 10% or more YoY and raising payout ratio stepwise to 20% in 5 years.
We would appreciate the continuing support from shareholders and investors from the medium to long-term viewpoint.

6. Conclusions

In the previous report, we stated "The progression rate of the condominium sale business at the end of the third quarter is already nearly 100% of the revised forecast, and the abundance of outstanding orders will provide a major benefit to business performance. We look forward to seeing how much more growth can be achieved." The results exceeded revised forecasts. As for the company's first publicly announced medium-term management plan, the profit margin is based on a relatively conservative assumption, according to the interview. We would like to pay attention to the company's medium-term progression with regard to their positive attitude toward profit-sharing.

<Reference: regarding corporate governance>

◎ Organization category, and the composition of directors and auditors

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

◎ Corporate governance report
Last modified: June 26, 2017.

<Major principles that have not been followed, and reasons>
The company states, "Our company conducts each principle of the Corporate Governance Code."

<Major disclosed principles>

Principle	Disclosed content
【Principle 1-4 So-called strategically-held shares】	(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. (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 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. ・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.