

Financial Highlights: 3Q of FYE March 2019

Pressance Corporation Co., Ltd.



Released in February 2019

Securities Code: **3254** (TSE 1st Section)

- “JPX Nikkei Index 400” component
- “JPX Nikkei Mid and Small Cap Index” component



Upward Revision to Annual Forecast

- **Revised Forecast for Sales 157.8 billion yen:** Up by 5.38 billion yen (3.5%) from the initial plan of 152.4 billion yen
- **Revised Forecast for Operating Profit 27.0 billion yen:** Up by 2.47 billion yen (10.1%) from the initial plan of 24.5 billion yen

Income Statement Summary

【million yen】

	Revised Forecast (Full Year) A		Initial Plan B		Change A - B	
	Amount	Ratio to Sales	Amount	Ratio to Sales	Amount	% Change
Sales	157,851	100.0%	152,471	100.0%	5,380	3.5%
Cost of Goods Sold	113,852	72.1%	110,820	72.7%	3,031	2.7%
Gross Margin	43,998	27.9%	41,650	27.3%	2,348	5.6%
SG&A Expenses	16,984	10.8%	17,108	11.2%	▲ 124	-0.7%
Operating Profit	27,014	17.1%	24,541	16.1%	2,472	10.1%
Ordinary Profit	26,248	16.6%	23,661	15.5%	2,586	10.9%
Net Income	17,856	11.3%	16,132	10.6%	1,723	10.7%

Major factors of changes

Sales: Revised upward by 5.38 billion yen

- **Condominium sales continued more favorably than initial plan** ⇒ **Up 4.26 billion yen** from the initial plan
 - ✓ Number of units sold in studio and family type condominiums increased by about 60 units, respectively.
 - ✓ Hotel sales increased by 2.15 billion yen by recognizing sales of a hotel ahead of schedule.
 - ✓ A property planned to be wholesaled as a building was sold by retailing studios (initial plan was 670 million yen)
- **Sales from other residential houses and real estate sales business increased**
 - ⇒ **Up 900 million yen** from the initial plan
 - Boosted by an unplanned sale under favorable deal conditions. Land (1 property): Up 820 million yen

Sales by Main Products

Studio condo	42,999	28.9%	41,951	29.0%	1,048	2.5%
Family type condo	75,673	50.9%	74,027	51.2%	1,646	2.2%
Condo building sales	12,459	8.4%	13,083	9.1%	▲ 623	-4.8%
Hotel Sales	17,625	11.8%	15,429	10.7%	2,195	14.2%
Total	148,759	100.0%	144,492	100.0%	4,267	3.0%
Sale of other real estate	2,043	—	1,142	—	900	78.8%

SG&A expenses: Revised downward by 124 million yen

- ✓ Selling expenses: Up 130 million yen from the initial plan
 - Registration expense related to the acquisition of sites for selling in the future period
 - Advertising expense for a new corporate advertisement
- ✓ Personnel expenses: Down 170 million yen
 - Hired certain number of additional staff. Not-yet-covered expenses of reserve that was planned to prepare for additional opportunities to increase the number of staff
- ✓ Administrative expenses: Down 80 million yen
 - Travelling and transportation expense, telecommunication expense and fees, etc. ended up below the plan

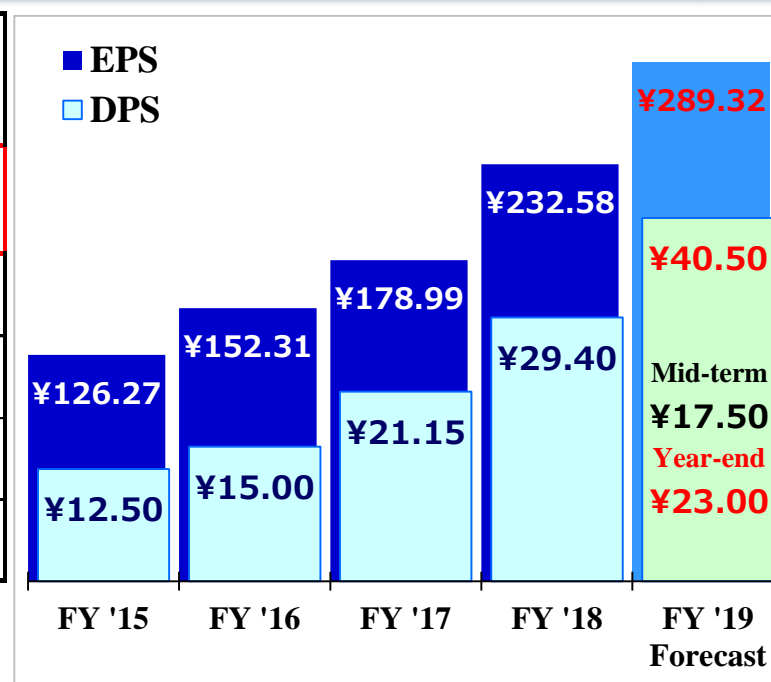
Dividend Forecast : FY-end-dividend target revised upward from initial forecast

- Details:**
- **Year-end dividend per share : 23.00 yen** Up by 5.50 yen from the initial forecast of 17.50 yen
 - **Annual dividends per share : 40.50 yen** Up by 11.10 yen (37.8%) YoY from 29.40 yen
 - **Dividend payout ratio : 14 %** Up by 1.0% from the initial forecast of 13.0%

Reason: Operating profit reached 27.0 billion yen

- Up by 6.65 bil yen (32.7%) YoY from 20.3 bil yen
- Up by 2.47 bil yen (10.1%) from the initial forecast of 24.5 bil yen

Date	Dividends (Yen)			Dividend growth rate (YoY)	Total dividends (million yen)	Dividend payout ratio
	2 Q	FY End	Total			
FY2019 (Revised Forecast)	17.50 yen (Result)	23.00 yen	40.50 yen	37.8%	NA	14.0%
FY2018	12.50 yen	16.90 yen	29.40 yen	39.0%	1,762	12.6%
FY2017 ※	8.75 yen	12.40 yen	21.15 yen	41.0%	1,250	11.8%
FY2016 ※	0.00 yen	15.00 yen	15.00 yen	20.0%	882	9.8%
FY2015 ※	0.00 yen	12.50 yen	12.50 yen	0.0%	769	9.9%



* The company conducted a 4-for-1 share split of its common shares as of October 1, 2016.
The figures in the above table take the share split into account.

Special benefits to shareholders
(planned for FYE March 2019)

100 shares or more
and less than 400 shares

VJA Gift Card worth 2,000 yen

400 shares and over

VJA Gift Card worth 5,000 yen

Consolidated Income Statement Summary

- **In 3Q of FY 2019/3, sales was up by 37.6%, and operating profit was up by 58.9% YoY.**
- **The revised forecast of sales and each stage of income is expected to substantially exceed the result in the previous year.**

* On a cumulative and consolidated basis

【Million yen】

	FY2017/March 3Q		FY2018/March 3Q		FY2019/March 3Q			FY 2019/March Revised Forecast (Full Year)			Ratio of Revised Forecast to Results of Previous Period
	Results	Ratio to sales	Results	Ratio to sales	Results A	Ratio to sales	YoY (%)	Revised Forecast B	Ratio to sales	Progress Rate A/B	
Sales	72,961	100.0%	101,024	100.0%	138,987	100.0%	137.6%	157,851	100.0%	88.0%	117.7%
Cost of Goods Sold	52,169	71.5%	73,692	72.9%	99,618	71.7%	135.2%	113,852	72.1%	87.5%	114.3%
Gross Margin	20,791	28.5%	27,331	27.1%	39,368	28.3%	144.0%	43,998	27.9%	89.5%	127.6%
SG&A Expenses	8,344	11.4%	10,440	10.3%	12,526	9.0%	120.0%	16,984	10.8%	73.8%	120.3%
Operating Profit	12,447	17.1%	16,891	16.7%	26,842	19.3%	158.9%	27,014	17.1%	99.4%	132.7%
Ordinary Profit	12,292	16.8%	16,557	16.4%	26,447	19.0%	159.7%	26,248	16.6%	100.8%	132.2%
Net Income Attributable to Owners of Parent	8,235	11.3%	11,247	11.1%	17,933	12.9%	159.5%	17,856	11.3%	100.4%	129.8%

- **Year-on-Year change:**
 - Strong sales boosted sales by 37,963 million yen, with gross margin up by 1.27bp due to an increased ratio of profitable products.
 - An increase of 12,036 million yen in gross margin offset an increase of 2,085 million yen in selling expenses (associated with future growth in business performance and strong sales) and general and administrative expenses, such as personnel cost, improving operating profit by 9,951 million yen.
- **Progress to revised forecast:** Progress rate of net sales and operating profit is 88.0% and 99.4%, respectively ⇒ Sales are largely generated in 1Q and 2Q, while SG&A expenses are periodically allocated. As a result, each stages of income shows higher progress rates at the end of 3Q compared with net sales.

Sales by Main Products in Condominium Sales Business

	FY 2017/March 3Q Results				FY 2018/March 3Q Results				FY 2019/March 3Q Results				FY2019/ March Annual Revised Forecast	Progression Rate vs. Annual Revised Forecast (%) A/B
	No. of units		Amount		No. of units		Amount		No. of units		Amount		Amount	
	unit	YoY (%)	million yen	YoY (%)	unit	YoY (%)	million yen	YoY (%)	unit	YoY (%)	million yen A	YoY (%)	million yen B	
Studio Condo	1,434	124.4%	24,809	134.3%	1,651	115.1%	28,350	114.3%	1,883	114.1%	34,202	120.6%	42,999	79.5%
Family Type Condo	1,031	76.7%	33,857	80.6%	1,293	125.4%	45,177	133.4%	1,839	142.2%	68,933	152.6%	75,673	91.1%
Condo Building Sales *	746	226.1%	9,847	242.9%	1,086	145.6%	17,073	173.4%	765	70.4%	10,872	63.7%	12,459	87.3%
Hotel Sales					183	NA	2,744	NA	980	535.5%	17,625	642.3%	17,625	100.0%
Total	3,211	113.5%	68,514	106.1%	4,213	131.2%	93,345	136.2%	5,467	129.8%	131,634	141.0%	148,759	88.5%

➤ **Year-on-Year change: Strong sales increased sales. Up by 1,254 units and 38,288 million yen**

- Studio condo: Up by 232 units and 5,852 million yen in sales (incl. a total of 148 units in Pressance Itachibori Park City)
- Family-type condo: Largely increased by 546 units and 23,756 million yen in sales (incl. a total of 486 units in Legend Biwako)
- Condo bldg. sales: As planned, though decreased YoY. Units down by 321 and sales down by 6,201 million yen
- Hotel sales: Number of buildings delivered: Two at the end of 3Q in the previous fiscal year ⇒ Seven at the end of 3Q this fiscal year; sales increased by 14,881 million yen

* Condominium building sales: Wholesaling a whole or a part of condominium building primarily to other condominium dealer

Consolidated Balance Sheet Summary

	As of March 31, 2017		As of March 31, 2018		As of December 31, 2018		
	Results (million yen)	Component ratio	Results (million yen)	Component ratio	Results (million yen)	Component ratio	Change (million yen)
Current Assets	171,810	92.7%	227,161	92.6%	249,051	92.9%	21,889
real estate for sale	14,324	7.7%	11,275	4.6%	16,523	6.2%	5,248
real estate for sale in process	122,174	65.9%	180,461	73.5%	190,321	71.0%	9,859
Non-current Assets	13,497	7.3%	18,237	7.4%	19,099	7.1%	861
Total Assets	185,307	100.0%	245,399	100.0%	268,150	100.0%	22,751
Current Liabilities	49,438	26.7%	67,537	27.5%	66,785	24.9%	▲ 751
short-term liabilities with interest	25,410	13.7%	40,473	16.5%	48,492	18.1%	8,019
Non-current Liabilities	76,253	41.1%	102,689	41.8%	107,222	40.0%	4,533
long-term liabilities with interest	75,691	40.8%	102,021	41.6%	106,475	39.7%	4,453
Total Liabilities	125,691	67.8%	170,226	69.4%	174,008	64.9%	3,781
Total Net Assets	59,615	32.2%	75,172	30.6%	94,142	35.1%	18,969
Total Liabilities and Net Assets	185,307	100.0%	245,399	100.0%	268,150	100.0%	22,751

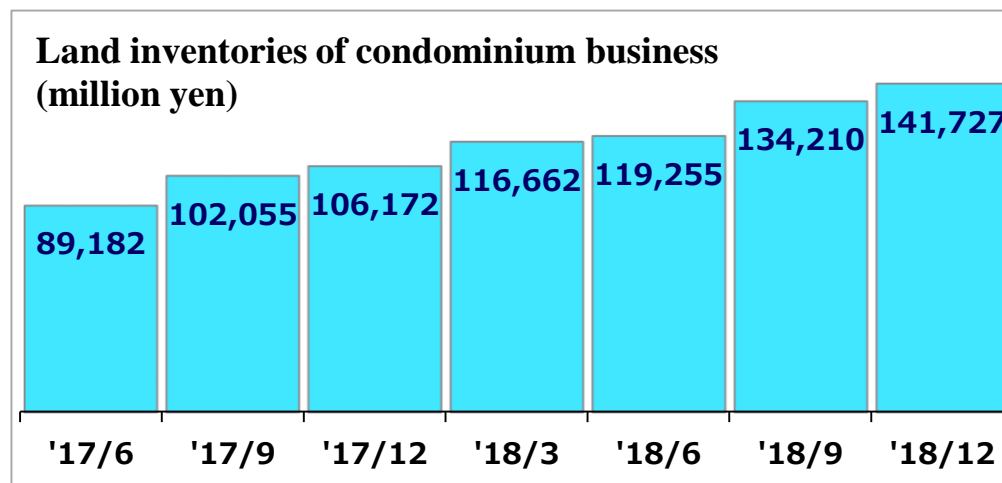
Major factors for changes: Changes from the end of March 2018

- **Current Assets:**
 - Real estate for sale in process up by 9,859 million yen, real estate for sale up by 5,248 million yen
- **Non-current Assets:**
 - Real estate for rent (net) down by 537 million yen (3 properties were newly owned and 3 properties were transferred for sale) Investments and other assets up by 1,224 million yen (related to overseas affiliates)
- **Liabilities:**
 - Accounts payable (incl. electronically recorded obligations) down by 6,172 million yen, income taxes payable up by 1,364 million yen
 - Loans payable to banks up by 15,372 million yen, advances received down by 4,586 million yen (many properties have delivered during the current period)
- **Net Assets:**
 - Net income reported 17,933 million yen

✓ “Partial Amendments to Accounting Standard for Tax Effect Accounting” has been applied from the beginning of 1Q of FY 2019/3. The current assets and non-current assets at the end of FY 2018/3 show retroactively adjusted figures. * For the red-framed inventory, refer to the next page for details.

Land Inventory <As of December 31, 2018>

Breakdown of the number in red frame on the previous page	Amount (million yen)
Real Estate for Sale	16,523
Land Cost for Condominium Biz (A)	4,858
Other Land Cost	30
Construction Cost	11,634
Real Estate for Sale in Process	190,321
Land Cost for Condominium Biz (B)	136,868
Other Land Cost	23,414
Construction Cost	30,038



	Amount (million yen)	Units	Volume of procured land compared with sales plans
Land Cost for Condominium Biz (A)+(B)	141,727	22,214	
Studio Condominium	49,348	9,823	Equivalent to the sales volume for about next 3 years
Family Type Condominium	67,420	7,446	Equivalent to the sales volume for about next 3 years
Condominium Building Sales	14,460	3,488	Procured the lands for scheduled delivery up to March 2021
Hotel Sales	10,498	1,457	Procured the lands for scheduled delivery up to March 2021

- ✓ Properties with settled land (registered under the Company's name) are included in land inventory.
(In addition, there are 66 properties (5,384 units) whose land contract has been completed but not unsettled yet, including 3,652 studios, 1,485 family-types and 247 hotels.)
- ✓ The sum of land cost for the condominium business (included in inventory total) of (A)+(B) of 141,727 million yen is obtained by aggregating real estate for sale (16,523 million yen) and real estate for sale in process (190,321 million yen) recoded in the balance sheet for 3Q of FY 2019/3, minus other land cost (30 million yen + 23,414 million yen = 23,444 million yen) and construction cost (11,634 million yen + 30,038 million yen = 41,673 million yen).

* Other Land Cost includes real estate for rent, lands planned for sale and land acquisition-related costs for house sales.

Outstanding Contracts & Prospects for Achievement of Sales Plan for FY 2019/3 (condominium sale business) <As of December 31, 2018>

■ Outstanding Balance of Contracts as of December 31, 2018

	Total Outstanding Balance of Contracts A+B		Breakdown by Delivery Timing			
			During FY 2019/3 Scheduled Delivery A		FY 2020/3 or later Scheduled Delivery B	
	Units	Amount (million yen)	Units	Amount (million yen)	Units	Amount (million yen)
Studio	2,021	39,429	424	7,788	1,597	31,640
Family-type	1,675	61,136	164	5,604	1,511	55,531
Condo Bldg. Sales	1,650	25,768	115	1,587	1,535	24,181
Hotel Sales	814	21,773	—	—	814	21,773
Total	6,160	148,107	703	14,981	5,457	133,125

As of the end of 3Q of the current period
(December 31, 2018),
the combined amount of sales results
and sales to be posted has achieved up to
98.6% of the revised forecast
(annual sales).

The amount of outstanding orders is the sum of
completed sales contracts prices, proceeding in
the following status:

- Under construction before delivery
- Completed sales contracts
- Uncompleted transfer of property (before buyers' registration)

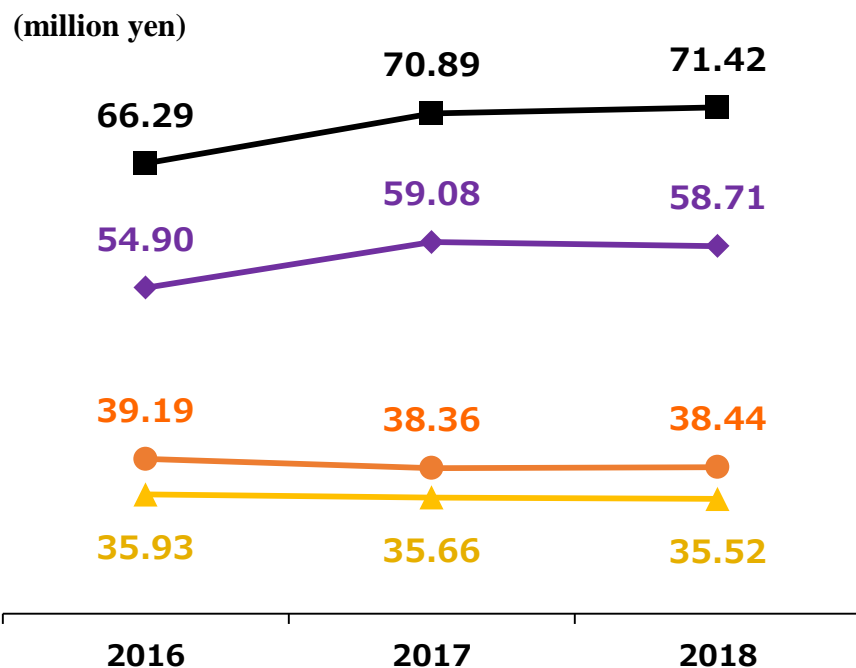
Outstanding orders are transferred to sales
when properties are completed and delivered
to customers in general.

■ Progress on Sales Plan FY2019/3

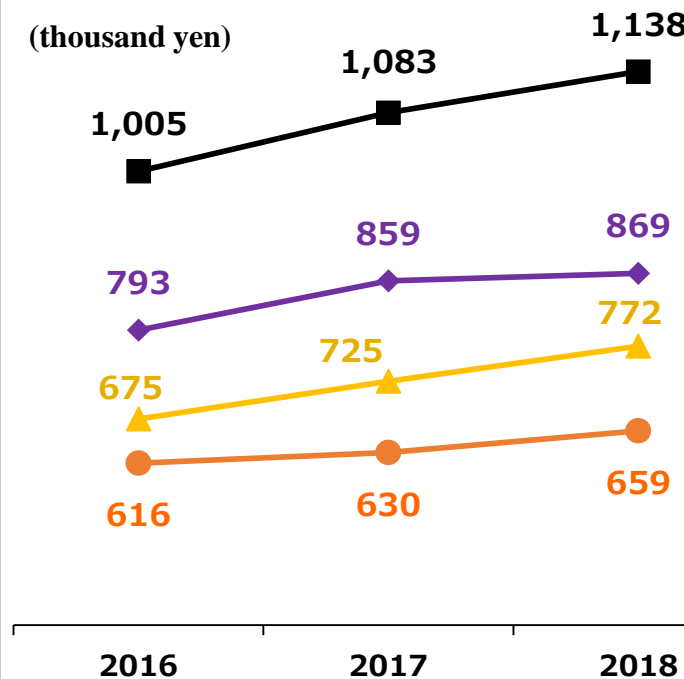
	Sales as of End of 3Q FY2019/3 C			Of Outstanding Orders, Orders Scheduled for Delivery in 4Q A			Sales Results & Sales to Be Posted as of End of 3Q FY2019/3 D=C+A			Progress Compared to Annual Sales Plan as of End of 3Q FY2019/3 E	
	Units	Amounts (million yen)		Units	Amounts (million yen)		Units	Amounts (million yen)		Amount (million yen) E	Progression rate (%) D/E
Studio	1,883	34,202	+	424	7,788	=	2,307	41,991	÷	42,999	97.7%
Family-type	1,839	68,933		164	5,604		2,003	74,538		75,673	98.5%
Condo Bldg. Sales	765	10,872		115	1,587		880	12,459		12,459	100.0%
Hotel Sales	980	17,625		—	—		980	17,625		17,625	100.0%
Total	5,467	131,634		703	14,981		6,170	146,615		148,759	98.6%

Market Average Price of Condominiums (Comparison of Greater Tokyo and Kinki area)

Market Average Price by Area



m² Unit Price by Area



- Price level in Kinki area: Actual demand is strong, and the price level is expected to stay in the demand range.
- m² unit price : Still at an affordable price in Kinki area, though it is rising.

Source: “Condominium Market Trends in the Greater Tokyo” and “Condominium Market Trends in the Kinki Area” (summary of 2018) released by Real Estate Economic Institute Co., Ltd. on January 22, 2019

Note) • Greater Tokyo (Shuto-ken) does not include the information of single-room condominium, but Kinki area does include.
• Prices include consumption tax (8%)

Market trends in greater Kinki area

- ✓ Outline of “Condominium Market Trends in the Kinki Area (summary of 2018)” released by Real Estate Economic Institute Co., Ltd. (Tokyo) on January 22, 2019

■ The number of condominium units newly started selling in Kinki area

2017	2018	change
19,560	20,958	Increased by 1,398 (7.1%)

■ Monthly contract rate (Kinki area)

2017 average	2018 average	Exceeded 70%, which is an indicator of good sales, thus maintaining strong sales
76.1%	74.5%	

- 74.1% in the first half, 74.8% in the second half on average
- Annualized average ratio for the Greater Tokyo area is 62.1%, falling short of 70%. (66.7% in the first half, 58.9% in the second half on average)

■ Average price per unit in Kinki area (million yen)

2017	2018	change
38.36 million yen	38.44 million yen	Up slightly by 80 thousand yen (0.2%) (Down by 830 thousand yen in the previous year)

■ Unit price per m² in Kinki area

2017	2018	change
630 thousand yen	659 thousand yen	Up by 29 thousand yen (4.6%). Increase in 6 consecutive years.

■ Ratio by major areas in Kinki area

Osaka city	Osaka Pref. (excl. Osaka City)	Kobe City	Kyoto City	Total of major cities
44.0%	22.2%	11.8%	6.1%	84.1%

- The 4 major areas in the above table represent 84.1% of the total units sold in Kinki area (20,958 units).
⇒ Population flows into urban areas as the demand to live in central urban areas is growing.
- For 2019, new condo sales in the Kinki area are expected to be about 20,000 units, a decrease by 4.6% from 2018.
- Development of condos in the Osaka City bay area may be accelerated due to the Osaka Expo to be held in 2025. *
* Article referred to: “condominium sales in Kinki area up by 7.1% in 2018, positive for two consecutive years,” from the Kansai Economy page of *The Nikkei* on January 23, 2019



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(Note) Prospective numbers listed in the earnings outlook and other materials are based on information available at the time the documents were released and in large part contain uncertain factors. The actual results may be different depending on changes in business.

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