



President Shinobu Yamagishi

Pressance Corporation Co., Ltd. (3254)



## Company information

Exchange	TSE 1st Section
Industry	Real estate business
President	Shinobu Yamagishi
Address	Crystal Tower, 1-2-27 Shiromi, Chuo-ku, Osaka
Year-end	End of March
URL	<a href="https://www.pressance.co.jp/ir/ir6.html#english">https://www.pressance.co.jp/ir/ir6.html#english</a>

## Stock Information

Share Price	Number of shares issued		Total market cap	ROE(Actual)	Trading Unit
¥1,366	62,941,385 shares		¥85,977 million	22.1%	100 shares
DPS (Est.)	Dividend yield	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥ 52.00	3.8%	¥ 346.67	3.9 times	¥ 1,493.54	0.9 times

\*The share price is the closing price on June 4. 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

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	8.75
Mar. 2013 (Actual)	42,349	9,393	9,329	5,351	88.95	8.75
Mar. 2014 (Actual)	51,755	10,334	10,264	6,286	103.44	12.50
Mar. 2015 (Actual)	65,641	12,262	12,065	7,758	126.27	12.50
Mar. 2016 (Actual)	78,990	14,057	13,798	9,194	152.31	15.00
Mar. 2017 (Actual)	101,083	15,645	15,414	10,526	178.99	21.15
Mar. 2018 (Actual)	134,059	20,362	19,858	13,757	232.58	29.40
Mar. 2019 (Actual)	160,580	27,118	26,531	18,296	296.43	40.50
Mar. 2020(Forecast)	209,219	32,531	31,429	21,520	346.67	52.00

\* The forecast is from the company. Unit: Million yen or yen

\*4-for-1 share split was conducted on Oct. 1, 2016. EPS and DPS 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 2019 and an overview of the upward revised medium-term business plan.

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## Key Points

- Sales for the fiscal year ended March 2019 were 160.5 billion yen, up 19.8% year on year. Gross profit rose 28.2% year on year, and gross profit margin grew 1.8 points as the sales ratio of high-margin products increased. Due to increased sales, Pressance was able to offset SG&A expenses, which augmented 21.0%. As a result, operating profit was 27.1 billion yen, up 33.2% year on year. Both sales and profits exceeded forecasts and established record highs for the ninth consecutive term.
- Sales in the fiscal year ending March 2020 are forecast to be 209.2 billion yen, up 30.3% from the previous term. Operating profit is estimated to rise by 20.0% to 32.5 billion yen. Strong sales are expected to continue this term, as at the beginning of the term Pressance had already confirmed 73.3% of sales with its outstanding balance of contracts.
- The dividend is forecast to be 52.00 yen/share, an increase of 11.50 yen/share over the previous term. Payout ratio is to be 15.0%.
- Regarding the Medium-Term Management Plan (FY 3/19-FY 3/21) announced in May last year, figures for FY 3/20 and FY 3/21 have been revised upward. Condominium sales are currently strong and are projected to continue performing well from this term onwards. One of the company's targets is to raise operating profit by more than 10% year on year, and we suppose that they will achieve this in this term and the following term.
- This upward revision of the Medium-Term Management Plan means that Pressance seems to accelerate the growth of total dividend amount while operating profits is forecast to grow more than initially planned. The management goals of Pressance is to increase annual total dividend amount by more than 15% every fiscal year, multiplying more than 10% increase in operating profit every fiscal year (source of the dividend) by the increase in dividend payout ratio to 20% by FY 3/23.
- According to interviews with Vice President Doi, although there have been cases of inappropriate behavior in the real estate industry in the past year, the company's real estate sales are gaining momentum as more and more customers choose to purchase condominiums from the company because of the reputation for reliability due to superior products (locations, price, and quality), brand recognition, strong after-sales service (rental management), past performance and large sales volume. Although the current term is just beginning after the Medium-Term Management Plan was revised upward, profit growth may be boosted under the current circumstances.
- In April 2019, Pressance launched websites under the brand name, "Bright," in which AI manage the comprehensive information of real estate investment. Utilizing Real Estate Tech, the company aims to accelerate medium-and long-term growth by adding sales and profits to those of existing businesses.
- In the short term, we would like to watch sales and profits in each quarter; and in the medium term, we will keep our eyes on whether the real estate technology business will succeed in accelerating growth.

## 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 nine consecutive years as well as Tokai-Chukyo region for the seven consecutive years. In Japan, the company was ranked in the 2<sup>nd</sup> place. Its major strengths include plentiful experience of supplying condominiums, large market share, outstanding sales capabilities, sound financial position and an excellent product appeal.

### 【1-1 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.

### 【1-2 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.

### 【1-3 Market environment, etc.】

#### ◎Favorable market environment

The overall population continues to decline in Japan; however, the population in the central areas of major cities is on the rise due to the growing need for convenient living.

Real estate prices have skyrocketed in the Tokyo metropolitan area, but in the Kansai, Tokai, and Chukyo areas (Pressance’s main areas of operation), they are still within an affordable price range for ordinary income groups.

In addition to the external environment, customers and financial institutions tend to select reliable real estate companies as a result of fraudulent loans having been discovered at other companies in the past year. Pressance has a reputation for being reliable, thanks to superior products (locations, price, and quality), brand recognition, strong after-sales service (rental management), and a solid performance record and large sales volume. For this reason, we anticipate that sales of studio condominiums will rise even further, increasing the company’s market share.

#### ◎High share in the number of units supplied

According to data provided by the company (Source: Real Estate Economic Institute), the number of condominium units supplied during 2018 in the Kinki area is 20,958 and that in Tokai-Chukyo area is 5,115.

Pressance has provided 4,133 units in the Kinki area and 1,019 units in the Tokai-Chukyo area. It has held the number one market share in the Kinki area for nine consecutive years and in the Tokai-Chukyo area for seven consecutive years.

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

#### Ranking for the supply of condominiums for sale by areas in 2018

The Kinki region (Share 19.7%)			The Tokai-Chukyo region (Share 19.9%)		
Rank	Corporate name	No. of units	Rank	Corporate name	No. of units
1	Pressance Corporation	4,133	1	Pressance Corporation	1,019
2	Nihon Eslead Corp.	2,401	2	Nomura Real Estate Development Co., Ltd.	425
3	Nissho Estem Co., Ltd.	1,053	3	Daikyo Incorporated	270
4	Hankyu Hanshin Properties Corp.	966	4	Shizuoka Railway Co., Ltd.	253
5	Kintetsu Real Estate Co., Ltd.	734	5	Takara Leben Co., Ltd	228
Japan (Share 6.6%)					
Rank	Corporate name	No. of units			
1	Sumitomo Realty & Development Co., Ltd.	7,377			
2	Pressance Corporation	5,267			
3	Nomura Real Estate Development Co., Ltd.	5,224			
4	Mitsubishi Jisho Residence Co., Ltd.	3,614			
5	Mitsui Fudosan Residential Co., Ltd.	3,198			

(Calculated and prepared Pressance Corporation based on materials from Real Estate Economic Research Institute)

## BRIDGE REPORT



### ◎ Competitors

Below is a comparison between Pressance Corporation and major competitors from various aspects.

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	41,43,505	359,462	4,334,037	648,291	194,750	775,645
1928	Sekisui House, Ltd.	2,160,316	195,190	2,413,053	972,538	106,934	632,781
3231	Nomura Real Estate Holdings, Inc.	668,510	69,323	1,759,455	161,224	290,398	914,000
<b>3254</b>	<b>Pressance Corporation</b>	<b>160,580</b>	<b>26,531</b>	<b>301,942</b>	<b>9,603</b>	<b>225,302</b>	<b>178,087</b>
3289	Tokyu Fudosan Holdings Corporation	901,884	70,744	2,405,249	229,459	331,980	1,289,807
8804	Tokyo Tatemono Co., Ltd.	273,302	42,036	1,451,584	104,221	101,059	853,374
8830	Sumitomo Realty & Development Co., Ltd.	1,013,229	204,257	5,127,464	390,025	282,594	3,342,786
8877	Nihon Eslead Corp.	57,195	7,237	67,664	3,420	33,259	14,182
8897	Takara Leben CO., LTD.	132,005	9,027	184,893	18,821	49,860	111,656

\*unit: million yen

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	332.9%	36.8%	17.9%	8.7%	15.5%	2,157,945	8.5	1.3
1928	Sekisui House, Ltd.	909.5%	49.0%	26.2%	9.0%	10.8%	1,194,882	8.6	1.0
3231	Nomura Real Estate Holdings, Inc.	55.5%	29.9%	51.9%	10.4%	8.9%	430,146	8.9	0.8
<b>3254</b>	<b>Pressance Corporation</b>	<b>4.3%</b>	<b>30.7%</b>	<b>59.0%</b>	<b>16.5%</b>	<b>22.1%</b>	<b>85,914</b>	<b>3.9</b>	<b>0.9</b>
3289	TokyuFudosan Holdings Corporation	69.1%	23.3%	53.6%	7.8%	7.3%	426,859	10.9	0.8
8804	Tokyo Tatemono Co., Ltd.	103.1%	24.0%	58.8%	15.4%	7.9%	245,602	8.6	0.7
8830	Sumitomo Realty & Development Co., Ltd.	138.0%	23.6%	65.2%	20.2%	11.3%	1,928,624	13.7	1.6
8877	Nihon Eslead Corp.	10.3%	63.1%	21.0%	12.7%	11.0%	23,863	4.7	0.6
8897	Takara Leben CO., LTD.	37.7%	25.6%	60.4%	6.8%	14.3%	44,044	4.9	0.8

\*unit: million yen, times.

\*The values compared are from the results of the previous fiscal year. Market cap, PER, and PBR are based on the closing price on May 31, 2019

Although there are other companies with larger sales volume, Pressance stands out with their much smaller completed inventory (real estate for sale), high profitability, and high capital efficiency. However, the PBR is less than 1, and the PER is the lowest.

## BRIDGE REPORT



### 【1-4 Business contents】

Pressance Corporation has two business segments: “real estate sale business,” in which the company plans, develops, sells, and manages studio condominiums for investment and family-type condominiums for actual residency. And in “other business,” the company manages the lease of studio apartments for the benefit of the owners and the building maintenance

#### ◎Product mix

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

The approximate average price of a property is 18 million yen for studio condominiums and 37 million yen for family-type condominiums.

Type	Residential area	Layout	Features	Criteria for selection
Studio	About 20 to 50m <sup>2</sup>	1ROOM to 1LDK (L: living room, D: dining room, K: kitchen)	Urban type Within 5 min. on foot from a major station	Convenient location (Colleges, vocational schools, enterprises, commercial facilities, etc.)
Family-type	About 50 to 100m <sup>2</sup>	1LDK to 4LDK	Urban and suburban types Within 10 min. on foot from a major station	Environment-rich location (Elementary and middle school areas, enterprises, commercial facilities, etc.)
Combined	About 20 to 100m <sup>2</sup>	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 2019)

Product Type	Amount sold	Percentage	No. of units	Percentage
Studio condominiums	43,011	26.8%	2,363	36.9%
Family-type condominiums	77,375	48.2%	2,078	32.5%
Condominium buildings	12,459	7.8%	880	13.8%
Hotel property	17,625	11.0%	980	15.3%
Other housing	1,509	0.9%	98	1.5%
Other real estate	1,429	0.9%	-	-
Business accompanying real estate sale	1,633	1.0%	-	-
<b>Real estate sale business, Total</b>	<b>155,044</b>	<b>96.6%</b>	<b>6,399</b>	<b>100.0%</b>
Others	5,535	3.4%	-	-
<b>Total</b>	<b>160,580</b>	<b>100.0%</b>	<b>6,399</b>	<b>100.0%</b>

\*unit: million yen

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

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

\* The sale of other real estate includes commercial stores and sites for development, other than housing.

\* Business accompanying real estate sale includes the agent commission for condominium sale and paperwork accompanying real estate sale.



◎Sales by region

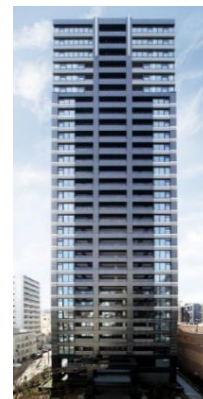
The cumulative sales volume during a period from November 1998, in which the company started selling original brand condominiums, to the end of March 2019 are 707 buildings and 46,652 condominium units nationwide, mainly in the Kinki and Tokai-Chukyo regions.



Pressance Umeda Kita All  
(Osaka City/Studio Condominium)



Pressance Grand Izumi  
(Nagoya City/Family-type Condominium)



Pressance Legend Sakaisuji-Honmachi Tower  
(Osaka City/Family-type Condominium)

Prefecture	No. of buildings	No. of units
Osaka	319	21,402
Aichi	169	10,575
Kyoto	76	3,792
Hyogo	72	5,436
Shiga	10	1,508
Okinawa	20	1,073
Tokyo	16	931
Hiroshima	5	410
Others	20	1,525
<b>Total</b>	<b>707</b>	<b>46,652</b>

\*Accumulated sales results from November 1998 to the end of March 2019

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

**【1-5 Feature and advantage】**

**①Abundant past record of supplying condominiums and large market share**

As mentioned above, the company supplies the largest number of condominiums consecutively not only in the Kinki region, where it is headquartered, but also in the Tokai-Chukyo region. It also ranked second nationwide in 2018.

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

**②Strong 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, internal competitions are intensified, and sales motivation can be 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.

### ③Competitive 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)

### ④Outstanding information-gathering ability

For condominium developers, it is vital to attain good information from brokers or financial institutions ahead of any other competitors. When other companies in the industry were stuck with a lot of finished goods inventory and could no longer procure new land due to the Financial crisis, Pressance Corporation was financially doing well and recognized such situations as a good opportunity to begin actively purchasing land. For land brokers, Pressance Corporation is the most important customer since it actively procured lands even during the downturn in economy.

It is also beneficial to brokers that Pressance Corporation makes quick decisions, compared with other large companies. As a result, Pressance Corporation won a reputation from land brokers as a trade partner with significant benefits. Consequently, brokers started offering the latest information on land to Pressance first.

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

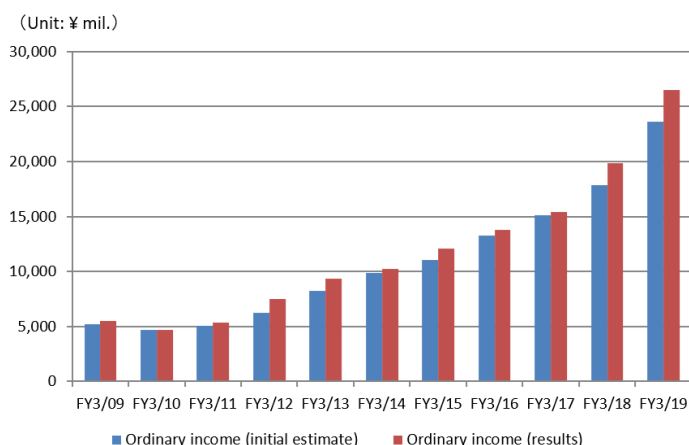
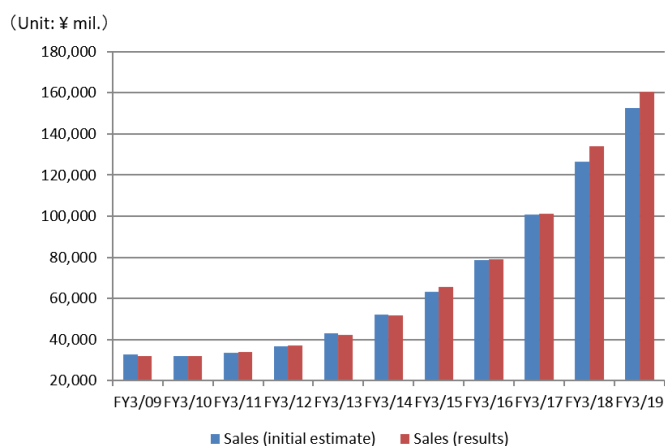
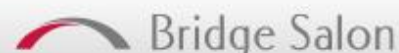
Because of Pressance Corporation’s fast decision-making and strong brand power, it is said that in the past, large projects that were brought to major developers are also brought to the company first.

### ⑤Stable earning power

Pressance Corporation was listed on the stock market in December 2007, and it has released its financial forecast 11 times from the fiscal year ended March 2009 to the fiscal year ended March 2019. 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.



## BRIDGE REPORT



## 【1-6 ROE analysis】

	FY 3/13	FY 3/14	FY 3/15	FY 3/16	FY 3/17	FY 3/18	FY 3/19
<b>ROE (%)</b>	<b>18.5</b>	<b>18.2</b>	<b>18.9</b>	<b>19.4</b>	<b>19.2</b>	<b>20.8</b>	<b>22.1</b>
Net income margin [%]	12.64	12.15	11.82	11.64	10.41	10.26	11.39
Total asset turnover [times]	0.74	0.75	0.74	0.70	0.65	0.62	0.59
Leverage [times]	1.98	2.01	2.17	2.38	2.83	3.25	3.30

Demand is strong, and Pressance has achieved healthy sales and a consistently high net profit-to-sales ratio. They have also achieved a high ROE through efficient financing using leverage.

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 2019 Earnings Results

### (1) Consolidated Business Results

	FY 3/18	Ratio to sales	FY 3/19	Ratio to sales	YOY	Compared with initial forecast	Compared with revised forecast
Sales	134,059	100.0%	160,580	100.0%	+19.8%	+5.3%	+1.7%
Gross profit	34,484	25.7%	44,201	27.5%	+28.2%	+6.1%	+0.5%
SG&A expenses	14,121	10.5%	17,082	10.6%	+21.0%	-0.2%	+0.6%
Operating profit	20,362	15.2%	27,118	16.9%	+33.2%	+10.5%	+0.4%
Ordinary income	19,858	14.8%	26,531	16.5%	+33.6%	+12.1%	+1.1%
Net income	13,757	10.3%	18,296	11.4%	+33.0%	+13.4%	+2.5%

\*unit: million yen

## BRIDGE REPORT



### Sales and profits increased significantly, exceeding expectations. Record high sales and profits for the ninth consecutive term.

Sales were 160.5 billion yen, up 19.8% year on year. Gross profit rose 28.2% year on year, and gross profit margin grew 1.8 points as the sales ratio of high-margin products increased. Due to increased sales, Pressance was able to offset SG&A expenses, which augmented 21.0%. As a result, operating profit was 27.1 billion yen, up 33.2% year on year.

Both sales and profits exceeded expectations and established record highs for the ninth consecutive term.

#### (2) Trends by segment

	FY 3/18	Ratio to sales	FY 3/19	Ratio to sales	YOY
Sales					
Real estate sale business	129,451	96.6%	155,044	96.6%	+19.8%
Others	4,607	3.4%	5,535	3.4%	+20.1%
Total	134,059	100.0%	160,580	100.0%	+19.8%
Operating profit					
Real estate sale business	19,875	15.4%	26,589	17.1%	+33.8%
Others	1,524	33.1%	1,752	31.7%	+15.0%
Adjustment	-1,036	-	-1,222	-	-
Total	20,362	15.2%	27,118	16.9%	+33.2%

\*unit: million yen

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

#### (Sales results)

Type	No. of units	YOY	Sales	YOY	Compared with initial forecast	Compared with revised forecast
Studio condominiums	2,363	+36.9%	43,011	+44.8%	+2.5%	+0.0%
Family-type condominiums	2,078	+11.7%	77,375	+8.7%	+4.5%	+2.2%
Condominium buildings	880	-29.4%	12,459	-35.5%	-4.8%	0.0%
Hotel property	980	+435.5%	17,625	+542.3%	+14.2%	0.0%
Total condominium sales bus	6,301	+25.6%	150,472	+22.4%	+4.1%	+1.2%

\*unit: million yen

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

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

#### (3) Financial position and cash flow

##### ◎ Summary

	End of Mar. 2018	End of Mar. 2019		End of Mar. 2018	End of Mar. 2019
<b>Current assets</b>	227,161	280,591	<b>Current liabilities</b>	67,537	82,916
<b>Cash and deposits</b>	31,374	41,990	<b>Short-term interest-bearing debts</b>	40,473	54,467
<b>Real estate for sale</b>	11,275	9,603	<b>Noncurrent liabilities</b>	102,689	124,407
<b>Real estate for sale in process</b>	180,461	225,302	<b>Long-term interest-bearing debts</b>	102,021	123,619
<b>Noncurrent assets</b>	18,237	21,350	<b>Total liabilities</b>	170,226	207,323
<b>Property, plant and equipment</b>	14,493	15,848	<b>Net assets</b>	75,172	94,618

## BRIDGE REPORT



<b>Intangible assets</b>	431	332	<b>Equity</b>	73,204	92,699
<b>Investments and other assets</b>	3,312	5,170	<b>Total liabilities and net assets</b>	245,399	301,942
<b>Total assets</b>	245,399	301,942	<b>Balance of interest-bearing debts</b>	142,494	178,087

\*unit: million yen

\*Trade payables include electronically recorded accounts payable.

Cash and deposits grew due to an increase in sales (delivered properties). The amount of real estate for sale in process (including properties under construction and with received orders) also increased, and total assets rose 56.5 billion yen from the end of the previous term to 301.9 billion yen. Total liabilities augmented 37 billion yen to 207.3 billion yen, mainly due to an increase in interest-bearing debt. Net assets increased 19.4 billion yen to 94.6 billion yen due to the increase in retained earnings. As a result, the equity ratio rose 0.9 points from the end of the previous term to 30.7%.

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 54,255 million yen (11,159 units) for studio condominiums and 75,767 million yen (8,074 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 amount of acquired lands for condominium buildings was 18,881 million yen (3,699 units) and for hotel property sales 13,049 million yen (1,693 units), which means that the company has already acquired lands for sale until the fiscal year ending March 2022 and the total value of land for acquired business was 161,954 million yen.

#### ◎Cash Flow

	FY 3/18	FY 3/19	Increase/decrease
<b>Operating CF</b>	-40,184	-24,480	+15,703
<b>Investing CF</b>	-1,905	-2,192	-287
<b>Free CF</b>	-42,090	-26,673	+15,416
<b>Financing CF</b>	42,963	36,735	-6,228
<b>Cash and equivalents</b>	29,314	39,400	+10,085

\*unit: million yen

Increases in profits and inventories were less than those in the previous term, and the deficit of operating CF and free CF shrank. The cash position improved.

#### (4) Topics

##### ① Released “BRIGHT,” a comprehensive website that uses AI to provide information about real estate investment

In April 2019, Pressance launched “BRIGHT,” a website that uses AI to provide clients with comprehensive support for real estate investment.

The name “BRIGHT” was made by combining the words “AI” (Artificial Intelligence) and “bright” (light), because the website uses AI to brightly light up the future of the investment real estate market.

Pressance will accelerate medium- and long-term performance growth through a new business utilizing real estate technology, providing further sales and profits in addition to those of existing businesses.

##### <Features of BRIGHT>

On the website of real estate for investment “BRIGHT,” a variety of information is available through links such as “Media of investment information,” “Property value simulator,” “Introduction of new properties,” “Information on used properties,” and “Property management app for owners.” The company provides consistent support to meet the needs of customers at each stage, from sparking interest in real estate investment to comparing specific properties and following up after purchases.

Using big data on roughly 60 million real estate transactions, along with having supplied upwards of an astonishing 700 buildings with roughly 50,000 units, the company provides highly reliable real estate prices and budget simulations calculated by AI, promoting transparency in real estate

**BRIDGE REPORT**



market prices. In other words, through Braight, customers can compare real estate for investment more clearly and easily than ever before, including properties managed by other companies. As a result, the company expects that high market values of Pressance’s studio condominiums will be more apparent and the demand for Pressance’s properties will grow in the market.

**Outline of Braight and related sites**



(From the company’s material)

**<Anticipated effects on performance and benefits to customers>**

Customer benefits and anticipated effects of Braight are as follows.

Customer benefits	Anticipated effects
* Can access information when they want, at their own pace	* Increase in potential customers, such as those from the “digital native” generation
* Can get a solid idea of real estate prices (grasp practical market prices through an AI-driven simulation) * Can grasp the high market value of Pressance properties	* Increase in sales of new and used properties
* The use of IT systems makes managing and interacting with customers go smoothly	* More efficient business operations and customer service

Using Braight as a platform, Pressance will connect with potential customers who were hard to reach in the past. The company will politely support purchases over the phone and through face-to-face interaction and expect to increase sales. The company also believes that the introduction of IT systems will improve customer service as well as business efficiency, which will lead to cost reductions and more rapid increases in sales and profit. Although there are other online services that provide information on investment real estate, Pressance’s reputation for reliability and influence as a market leader make Braight stand out in the market. We are also looking forward to an increase in brand strength due to the synergy between “Pressance,” which has established a solid position in condominium business and the real estate technology “Braight.” This will lead to an improvement in corporate value.



# BRIDGE REPORT

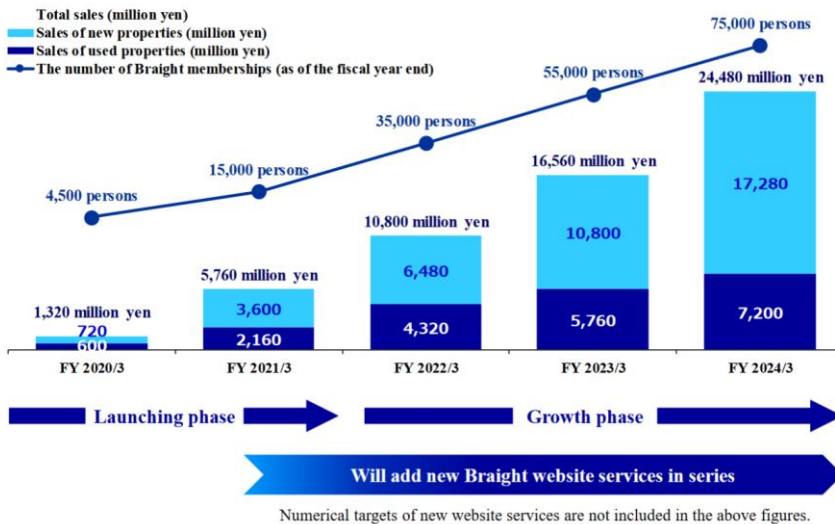


## <Future outlook>

Pressance will increase sales in existing businesses, boosting their already strong selling power even further with Braight.

The introductory period will take place during the current term and next term, during which time the website and services will be enhanced. FY 3/22 onwards will be positioned as a growth period. The company also plans to improve business performance and is looking into launching new websites such as crowdfunding and applications for occupants.

### Sales plan with the existing service of Braight



(From the company’s material)

## ② IoT lighting equipment “Multifunction Light” to become standard in newly built studio condominiums for investment

Pressance will equip all investment studio condominiums that will be constructed with Sony Network Communications' IoT lighting equipment, the “Multifunction Light,” in order to make the residents more comfortable.

The “Multifunction Light” is the latest IoT device designed to make the lives of residents more fun, convenient, and comfortable. With the Multifunction Light, users can listen to music through the built-in speaker, remotely control the air conditioner and lights in the room from outside by using a special application, or operate the television and air conditioner with voice commands by linking them to the AI speaker. The light is compact in size and offers other various functions, such as detecting anything out of the ordinary while the resident is out of their home.

### [Helpful functions for various daily occasions]

<p><b>Alerts by sound and e-mail</b> when the device has sensed human movement while you are away</p>	<p>Check the room condition and <b>turn the air-conditioner and lighting on and off by remote control</b></p>	<p>Provides a new type of relaxation with music from a <b>speaker on the ceiling</b></p>
<p>You have only to turn on the “Watch” setting to receive an alert sound or e-mail notifying you of human movement during your absence, and have peace of mind while being outside.</p>	<p>No worries about your pet at home. This product senses the room temperature and humidity and turns the air conditioner on and off, and even lights up the room to adjust the brightness in the evening.</p>	<p>The built-in high-end speaker can play your favorite music like a high-class lounge, bringing you a new experience of music falling like a shower.</p>
<p><b>Message from parents</b> to a child who has come home before them</p>	<p><b>Message such as Morning call</b> from kitchen to a child in the room</p>	<p><b>Turn on the air conditioner, light and TV with a timer</b> 15 minutes before rising</p>
<p>Multi-function Light learns when a child comes home and plays a welcome home voice message for parents, while notifying them about their child's return by e-mail simultaneously.</p>	<p>Having a hard time getting your child up in the morning? Use Multi-function Light installed in the child's room via a dedicated smartphone app to give a morning call. It makes your life easier.</p>	<p>Set the timer of Multifunction Light to turn on the light and air conditioner 15 minutes before your wake-up time, and start the TV at 6 o'clock. A comfortable living room welcomes the family every morning.</p>

(From the company’s material)

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The company will start installing the Multifunction Light in the properties “Presence Hirokoji-dori Aoi” (Nagoya City, scheduled to be completed in late June 2019) and “Presence Shinsaibashi Rayon” (Osaka City, scheduled to be completed in July 2019). They plan to install a total of 2,500 Multifunction Lights by March 2020.

The company plans to actively adopt other IoT devices as well. As a market leader that supplies a large number of properties, they plan to strengthen product competitiveness and stay ahead of competitors with lower cost and the earlier release of new features. By actively introducing IoT equipment and facilities, Pressance will improve convenience for occupants and increase the commercial value of the company's studio condominiums.

### ③ Introduction of IT systems to enhance the customer satisfaction of the occupants

In June 2019, aiming to enhance convenience for condominium occupants, the company introduced “Bukka-kun,” an automatic reply system allowing users to check a room’s vacancy status by telephone, and “Moushikomi-Uketsuke-kun (automated application receipt),” a web-based system for managing applications for new residents.

The introduction of these two systems makes it possible to provide the latest information regarding vacancy 24 hours a day, and improve the tenancy application process, thereby improving convenience for condominium users. By striving for paperless processes, and reducing hours spent on the phone by 3,630 annually, Pressance is able to more efficiently manage tasks such as the receipt of tenancy applications.

### ◎ Changes to certain shareholder benefits

In order to generate larger shareholder returns, the company decided to promote a profit return policy in which they plan to raise the dividend by increasing profits and payout ratio each fiscal year. From FY 3/20 onwards, partial changes will be made to the shareholder benefit program (this affects the benefits presented in June 2020).

(Changes)

Pressance will no longer offer a 2,000 yen VJA gift card to shareholders holding between 100 or more and less than 400 shares. Shareholders holding 400 or more shares will still receive a 5,000 yen VJA gift card.

## 3. Fiscal Year ending March 2020 Earnings Forecasts

### (1) Earnings Forecasts

	FY 3/19	Ratio to sales	FY 3/20(forecast)	Ratio to sales	YOY
Sales	160,580	100.0%	209,219	100.0%	+30.3%
Gross profit	44,201	27.5%	54,278	25.9%	+22.8%
SG&A	17,082	10.6%	21,746	10.4%	+27.3%
Operating profit	27,118	16.9%	32,531	15.5%	+20.0%
Ordinary income	26,531	16.5%	31,429	15.0%	+18.5%
Net income	18,296	11.4%	21,520	10.3%	+17.6%

\*unit: million yen

\*The estimated amounts are from the company.

### Double-digit increase in sales and profits, both marking record highs for the 10th consecutive term.

Sales are forecast to be 209.2 billion yen, up 30.3% from the 2019 term. Operating profit is estimated to rise by 20.0% to 32.5 billion yen. Both sales and profits will reach record highs for the 10th consecutive term.

Strong sales are expected to continue this term.

The dividend is forecast to be 52.00 yen/share, an increase of 11.50 yen/share over the previous term. Payout ratio is to be 15.0%.



## BRIDGE REPORT



## ◎Real estate sale business

Type	FY 3/19	Ratio to sales	FY 3/20(forecast)	Ratio to sales	YOY
Studio condominiums	43,011	26.8%	70,901	33.9%	+64.8%
Family-type condominiums	77,375	48.2%	74,757	35.7%	-3.4%
Condominium buildings	12,459	7.8%	24,715	11.8%	+98.4%
Hotel property	17,625	11.0%	18,292	8.7%	+3.8%
other	10,107	6.3%	20,552	9.8%	+103.3%
<b>Total</b>	<b>160,580</b>	<b>100.0%</b>	<b>209,219</b>	<b>100.0%</b>	<b>+30.3%</b>

\*unit: million yen

## (2) Progress

Type	To be delivered this fiscal year		Condominium sale business	
	No. of units	Amount (A)	Forecasted sales for this fiscal year (B)	Rate of progress toward forecasted sales (A ÷ B)
	Single-room	2,238	44,142	70,901
Family	1,503	55,713	74,757	74.5%
Sale of condominium buildings	1,318	21,347	24,715	86.4%
Hotel	664	16,242	18,292	88.8%
others	19	9,657	12,035	80.2%
<b>Total</b>	<b>5,742</b>	<b>147,102</b>	<b>200,702</b>	<b>73.3%</b>

\*unit: million yen

\*Others are residential and real estate sales.

As of April 1, 2019, outstanding balance of orders amounts to 186.5 billion yen, up 32.7% from the same period last year. Of that, 147.1 billion yen is scheduled to be delivered during the current term, equaling 73.3% of the 200.7 billion yen in sales in the condominium sales and housing and real estate sales businesses planned for this term. Although this is lower than the 77.9% in confirmed sales at the beginning of FY 3/19, it is greater than that of both FY 3/17 (65.3%) and FY 3/18 (70.8%), so sales in the current term are off to a strong start.

## 4. Upward revisions to the Medium-Term Management Plan

The Medium-Term Management Plan (FY 3/19-FY 3/21) announced in May last year, figures for FY 3/20 and FY 3/21 have been revised upward. The revision was announced on May 10th, 2019, along with the financial results for FY 3/19. Condominium sales are currently strong and are expected to continue performing well from this term onwards. One of the company's targets is to raise operating profit by more than 10%, and the company expects that they will achieve this in FY 3/20 and FY 3/21. Sales and operating profit trends are shown in the graphs below.

### (1) Medium-Term Management Plan Outline

#### (Outline)

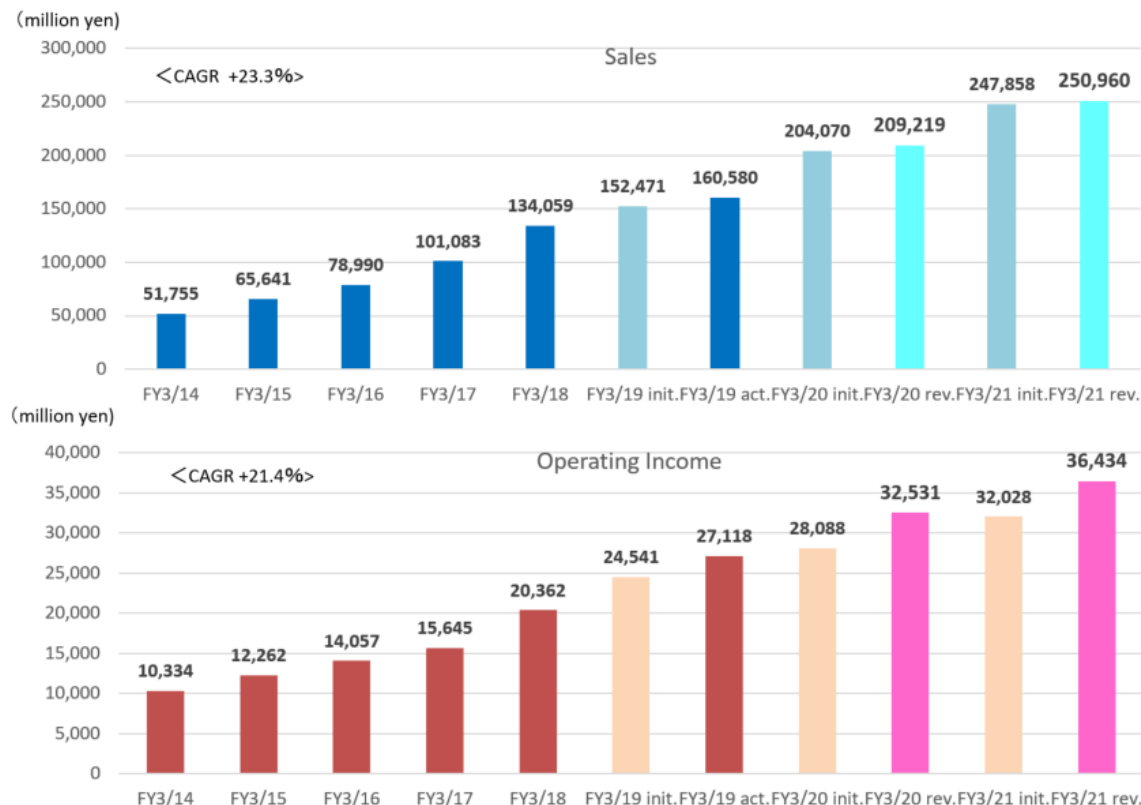
Performance goals	Sales:250.9 billion yen Operating profit:36.4 billion yen
Managerial goals	Operating profit: over 10% y/y growth Payout ratio: gradually increase to 20% by the end of March 2023 Total dividend amount: 15% or greater y/y growth

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

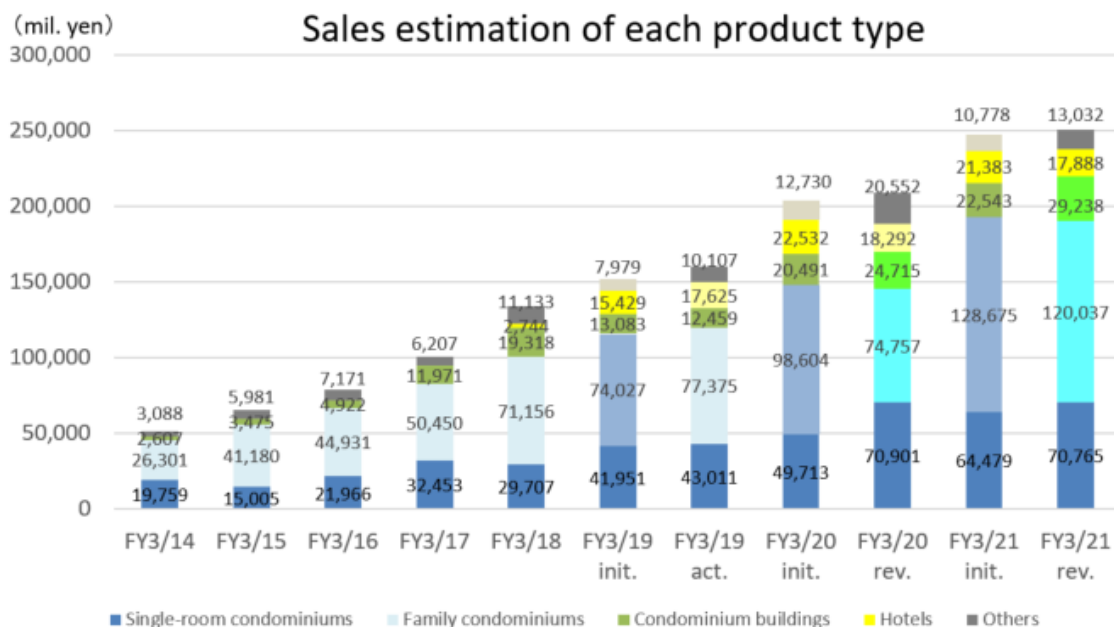
# BRIDGE REPORT



## (Trends of Sales, Profit)



\* CAGR are calculated from FY3/18 as the start year.



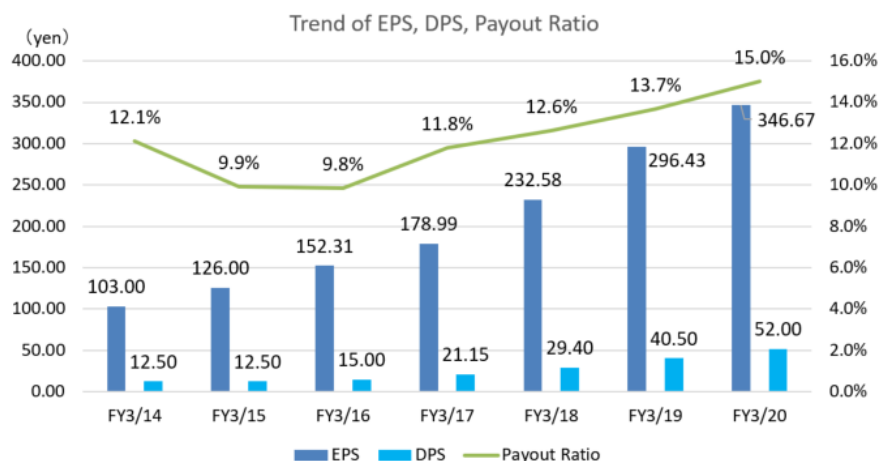
- ◇ Both sales and profits are expected to have an average annual growth rate of over 20% during the period of the Medium-Term Management Plan.
- ◇ Sales of both studio condominiums and family condominiums will increase steadily. The average annual growth rate during the three-year period is estimated to be 33.6% for studio condominiums and 19.0% for family condominiums (before revision, the estimated growth rates were 29.5% and 21.8%, respectively).

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## (Dividends)

Pressance set a management goal to increase total dividend amount by at least 15% year on year. This amount is determined by combining the source of the dividend (at least 10% increase in operating profit) with plans to gradually raise the payout ratio to 20% by FY 3/23. However, this upward revision means that the dividend source will grow even more, further raising the total dividend.

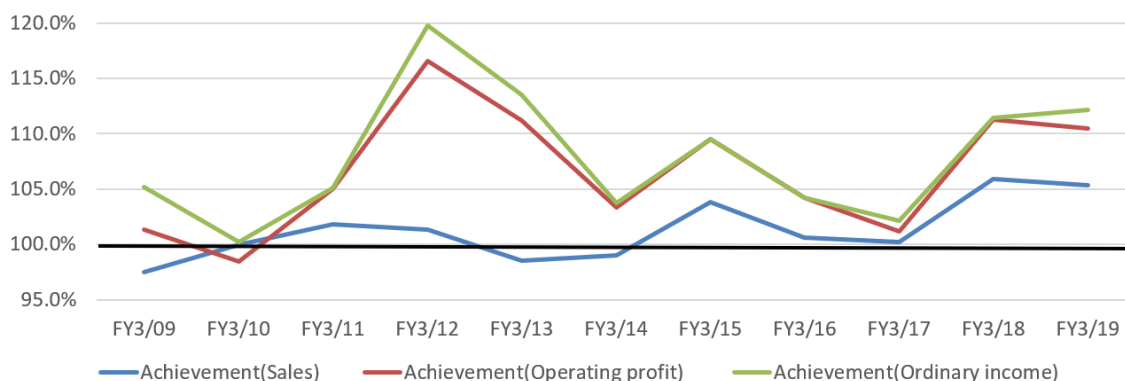


## (For achieving the forecasts)

As stated in the “Fiscal Year March 2019 Earnings Results” and the “Fiscal Year March 2020 Earnings Forecasts,” land acquisition has been steady and confirmed sales with outstanding orders at the start of the second year of the Medium-Term Management Plan are up to 73.3% of annual sales plan.

Pressance became a listed company in December 2007. Since the company first announced a financial forecast in FY 3/09, they have made 11 financial results announcements, the most recent in FY 3/19. In that time, they have had an extremely high rate of achievement for the goals they set. The cases where Pressance failed to achieve their target were for sales in 2009-2010, due to the influence of the Lehman Brothers’ bankruptcy; and in 2013-2014, because of the strong focus on profits. For operating profit, the company failed to achieve the targets only when the Lehman Brothers’ bankruptcy took place. Targets for ordinary profit have always been accomplished.

## Target performance achievements



## 5. Conclusions

Pressance set a management goal to increase total dividend amount by at least 15% year on year. This amount is determined by combining the source of the dividend (at least 10% increase in operating profit) with plans to gradually raise the payout ratio to 20% by FY 3/23. This upward revision means that the dividend source will grow even more, further raising the total dividend. According to interviews with Vice President Doi, there have been cases of inappropriate behavior in the real estate industry in the past year. Because Pressance has a reputation for being reliable due to superior products (locations, price, and quality), brand recognition, strong after-sales service (rental management), and a solid performance record and large sales volume, the company’s real estate sales are gaining momentum as more and more customers choose to purchase

condominiums from the company. Although the current term is just beginning after the Medium-Term Management Plan was revised upward, profit growth may be boosted under the current circumstances.

In the short term, we would like to focus on quarterly sales and the company’s efforts to raise profits; and in the medium term, we will keep our eyes on whether the real estate technology business will succeed in accelerating growth.

<Reference: Regarding Corporate Governance>

◎Organization category, and the composition of directors and auditors

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

◎Corporate governance report

Last modified: November 22, 2018.

<Basic policy>

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

We recognize the maximization of shareholder profit as our most important duty while putting the followings into practice at the same time.

\*Compliance with laws and regulations

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

\*Risk management

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

\*Accountability

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

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

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

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

<Major disclosed principles>

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

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