

 President Yutaka Doi	Pressance Corporation Co., Ltd. (3254)
	

## Company Information

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

## Stock Information

Share Price	Number of shares issued	Total market cap	ROE(Actual)	Trading Unit	
¥1,338	65,198,961shares	¥87,236 million	22.1%	100shares	
DPS (Est.)	Dividend yield	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥52.00	3.9%	¥346.67	3.9x	¥1,493.54	0.9x

\*The share price is the closing price on February 12. The number of shares issued, DPS, and EPS were 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. 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.

\*Net income is profit attributable to owners of the parent. Hereinafter the same applies.

This report introduces Pressance Corporation's earnings results for the third quarter of the fiscal year ending March 2020.

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## Key Points

- On December 16, 2019, the then representative director and president, Shinobu Yamagishi, was arrested by of the Osaka District Public Prosecutors Office on suspicion of collusion in embezzlement by the former director of Meijo Gakuin Educational Corporation. On December 23, 2019, Mr. Yamagishi offered to resign as a director, and the company accepted it. On the same day, the representative director and vice-president Yutaka Doi was appointed as representative director and president.
- In addition, the company judged that it is necessary to investigate and examine the problems with its governance and also reform its governance structure., and Then, it established an external committee for managerial reform, which is composed of outside experts who do not have a stake. Furthermore, the company issued a statement: “We would like to sincerely apologize for causing concern and inconvenience to customers, shareholders, business partners and other stakeholders.”
- For the third quarter of the fiscal year ending March 2020, sales grew to 183.5 billion yen, up 32.1% year on year as the sales of studio condominiums were healthy. Operating profit was 31.7 billion yen, up 18.3% year on year. SG&A was 15.5 billion yen, up 24.4% year on year. Most of the increased expenses precede sales, such as sales commissions, ad costs for family-type condominiums, expenses for the new business Pressance Braight, expenses for TV commercials and personnel expenses. However, such increased SG&A expenses were offset by sales growth.
- There is no revision to the full-year earnings forecast. It is estimated that sales will be 209.2 billion yen, up 30.3% year on year, and operating profit will be 32.5 billion yen, up 20.0% year on year. Both sales and profit are expected to hit a record high for 10 consecutive terms. The progress rate toward the full-year forecast is 87.7% for sales and 97.6% for operating profit. The delivery of many pieces of real estate has been completed as scheduled. This indicates that their business is progressing steadily as planned.
- As of December 31, 2019, the company was already scheduled to earn sales of 207.7 billion yen in the business of sale of condominiums and other houses and real estate for this term. This is 3.5% larger than the annual sales plan: 200.7 billion yen.
- As for dividends, the company plans to pay 52.00 yen/share, up 11.50 yen/share from the previous term. The estimated payout ratio is 15.0%. The company will keep increasing dividends by increasing profit and payout ratio.
- The progress until the third quarter is healthy. Although we are concerned about the effects of the apprehension of the former president and the replacement of representative director and president, we would like to pay attention to their progress toward the full-year forecast under the new president, Yutaka Doi, who considers that “sincerity is a driver for further growth” and aims to win the deep trust of all stakeholders.

## 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 ten consecutive years as well as Tokai-Chukyo region for the eight consecutive years. In Japan, the company was ranked in the 2<sup>nd</sup> place for the third consecutive years. 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.

#### **Developing and supplying high-value real estate properties with the “light up your corner” spirit**

We believe that our mission as professionals in condominium development is to deliver “more comfortable and valuable condominiums” to residents. With the unshaken belief, we accurately grasp the needs of customers; also, all of our group companies join hands to deliver condominiums with high added value for the coming decades.

#### **Spirit of “good for 3 parties” derived from the “light up your corner” spirit**

We believe that it is possible to contribute to the improvement of customers’ quality of life and foster mutually trusting relationships with all the stakeholders by developing condominiums in the sincere manner. This follows the principle of “being beneficial for sellers, buyers and society.”

#### **From lighting up “your corner” to “your society”**

By continuously creating high-quality condominiums, we hope to vitalize regional communities and contribute to create convenient and comfortable towns. As a result, we aim to significantly promote the sustainable growth of our society.

(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 behavioral guideline for the entire group members.

### 【1-3 Market environment, etc.】

#### ◎Favorable market environment

The overall population continues to decline in Japan; however, the population in the central parts of cities is on the rise due to the growing need for conveniently located housing.

Real estate prices have skyrocketed in the Tokyo metropolitan area, but in the Kinki, 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 agents as a result of fraudulent loans having been discovered at other companies in 2018. Pressance has a reputation for being reliable, thanks to superior products (locations, price, and quality of real estate), brand recognition, strong after-sales service (rental management), and a solid performance record and scope of sales. 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 provided during 2019 in Kinki area is 18,042 and that in Tokai-Chukyo area is 4,650.

Pressance has provided 3,825 units in the Kinki area and 804 units in the Tokai-Chukyo area. It has held the number one market share in Kinki area for ten consecutive years and in Tokai-Chukyo area for eight consecutive years.

It is the second largest provider of condominiums in Japan for the three consecutive years; with a total of 5,305 units nationwide.

#### Ranking for the supply of condominiums for sale by areas in 2019

Kinki area (Share 21.2%)			Tokai-Chukyo area (Share 17.3%)		
Rank	Corporate name	No. of units	Rank	Corporate name	No. of units
1	Pressance Corporation	3,825	1	Pressance Corporation	804
2	ESLEAD CORPORATION	2,121	2	Nissho Estem Co., Ltd.	598
3	Sumitomo Realty & Development Co., Ltd.	744	3	Sumitomo Realty & Development Co., Ltd.	441
4	Kintetsu Real Estate Co., Ltd.	704	4	Mitsui Fudosan Residential Co., Ltd.	340
5	Nissho Estem Co., Ltd.	646	5	Nomura Real Estate Development Co., Ltd.	275
Japan (Share 7.5%)					
Rank	Corporate name	No. of units			
1	Sumitomo Realty & Development Co., Ltd.	5,690			
2	Pressance Corporation	5,305			
3	Nomura Real Estate Development Co., Ltd.	3,941			
4	Mitsubishi Jisho Residence Co., Ltd.	3,365			
5	Mitsui Fudosan Residential Co., Ltd.	2,365			

(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%	2,336,497	9.2	1.5
1928	Sekisui House, Ltd.	909.5%	49.0%	26.2%	9.0%	10.8%	1,678,360	12.0	1.4
3231	Nomura Real Estate Holdings, Inc.	55.5%	29.9%	51.9%	10.4%	8.9%	545,570	11.3	1.0
<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>87,236</b>	<b>3.9</b>	<b>0.9</b>
3289	Tokyu Fudosan Holdings Corporation	69.1%	23.3%	53.6%	7.8%	7.3%	564,347	14.5	1.0
8804	Tokyo Tatemono Co., Ltd.	103.1%	24.0%	58.8%	15.4%	7.9%	375,129	13.2	1.1
8830	Sumitomo Realty & Development Co., Ltd.	138.0%	23.6%	65.2%	20.2%	11.3%	2,010,034	14.3	1.7
8877	Nihon Eslead Corp.	10.3%	63.1%	21.0%	12.7%	11.0%	29,415	5.8	0.7
8897	Takara Leben CO., LTD.	37.7%	25.6%	60.4%	6.8%	14.3%	60,379	6.8	1.1

\*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 February 12, 2020

## BRIDGE REPORT



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

#### 【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 a studio condominium building to condominium retail dealers.

\* The sale of other housing includes used condominiums 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, optional refurbishment after delivery and paperwork accompanying real estate sale.

#### ◎Sales by region

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

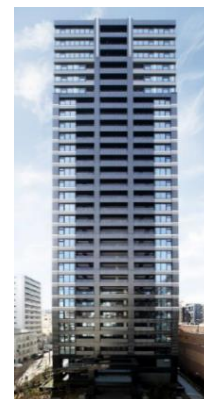




Pressance Umeda Kita All  
(Osaka City/Studio Condominium)



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 supply volume 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 strength】

#### 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 2019.

Its large share brings some significant advantages, including construction cost advantage 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, 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.

### 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, in order to expand their business, 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.

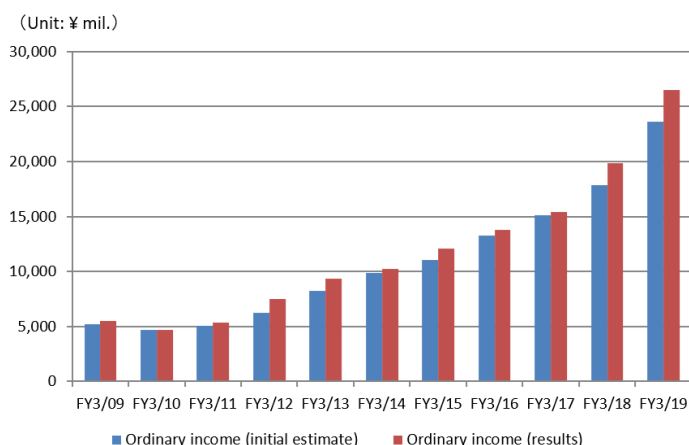
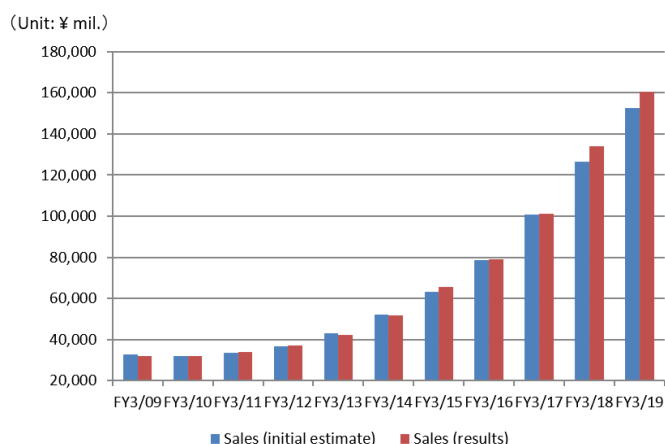
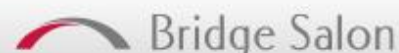
Because of Pressance Corporation’s fast decision-making and strong brand power, it is said that in the past, large projects that were brought to major developers are also brought to the company first.

### 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.

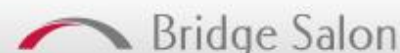
## 2. The Third Quarter of the Fiscal Year ending March 2020 Earnings Results

### (1) Consolidated Business Results

	3Q of FY 3/19	Ratio to sales	3Q of FY 3/20	Ratio to sales	YOY
Sales	138,987	100.0%	183,588	100.0%	+32.1%
Gross profit	39,368	28.3%	47,346	25.8%	+20.3%
SG&A expenses	12,526	9.0%	15,582	8.5%	+24.4%
Operating income	26,842	19.3%	31,763	17.3%	+18.3%
Ordinary income	26,447	19.0%	31,274	17.0%	+18.3%
Net income	17,933	12.9%	21,041	11.5%	+17.3%

\*unit: million yen

## BRIDGE REPORT

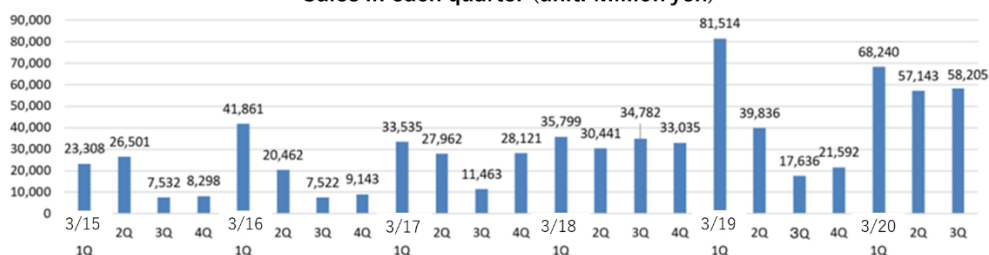


## Sales and profit growth

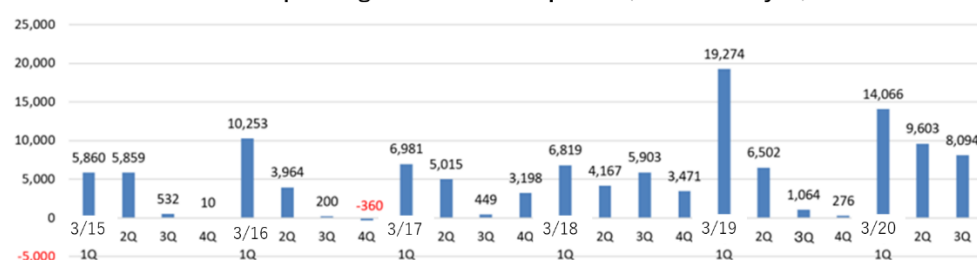
Sales were 183.5 billion yen, up 32.1% year on year. The sales of studio condominiums were healthy.

Operating profit was 31.7 billion yen, up 18.3% year on year. SG&A was 15.5 billion yen, up 24.4% year on year. The expenses that precede sales, including sales commissions, ad costs for family-type condominiums, expenses for the new business Pressance Bright, expenses for TV commercials, and personnel expenses, increased, but it was offset by sales growth. Most of the increased expenses precede sales, such as sales commissions, ad costs for family-type condominiums, expenses for the new business Pressance Bright, expenses for TV commercials and personnel expenses. However, such increased SG&A expenses were offset by sales growth. Then, sales and profit increased by double digits.

Sales in each quarter (unit: Million yen)



Operating income in each quarter (unit: Million yen)



## (2) Trends by segment

	3Q of FY 3/19	Ratio to sales	3Q of FY 3/20	Ratio to sales	YoY
Sales					
Real estate sale business	134,867	97.0%	178,378	97.2%	+32.3%
Others	4,120	3.0%	5,209	2.8%	+26.4%
Total	138,987	100.0%	183,588	100.0%	+32.1%
Operating profit					
Real estate sale business	26,318	19.5%	31,391	17.6%	+19.3%
Others	1,395	33.9%	1,471	28.2%	+5.4%
Adjustment	-871	-	-1,099	-	-
Total	26,842	19.3%	31,763	17.3%	+18.3%

\*unit: million yen

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

## ◎Sales results

Type	No. of units	YOY	Sales	YOY
Studio condominiums	2,568	36.4%	50,679	+48.2%
Family-type condominiums	1,907	3.7%	71,221	+3.3%
Condominium buildings	1,178	54.0%	22,147	+103.7%
Hotel property	793	-19.1%	19,292	+9.5%
Total condo sales business	6,446	17.9%	163,340	+24.1%

\*unit: million yen

\* The sale of condominium buildings means the wholesale of the entire or part of a studio condominium building to condominium retail dealers.

## BRIDGE REPORT



The sales of studio condominiums include THE Kobe (235 units.) The sales of family-type condominiums performed better than the same quarter in the previous year, in which sales surged by Legend Biwako (486 units).

### ◎Hotel Business

The sales of 6 buildings were posted by the end of the third quarter.

### (3) Financial position and cash flow

#### ◎ Main BS

	End of Mar. 2019	End of Dec. 2019		End of Mar. 2019	End of Dec. 2019
<b>Current assets</b>	280,591	288,316	<b>Current liabilities</b>	82,916	79,499
<b>Cash and deposits</b>	41,990	41,898	<b>Short-term interest-bearing debts</b>	54,467	56,429
<b>Real estate for sale</b>	9,603	13,677	<b>Noncurrent liabilities</b>	124,407	113,220
<b>Real estate for sale in process</b>	225,302	227,733	<b>Long-term interest-bearing debts</b>	123,619	112,372
<b>Noncurrent assets</b>	21,350	20,238	<b>Total liabilities</b>	207,323	192,720
<b>Property, plant and equipment</b>	15,848	13,794	<b>Net assets</b>	94,618	115,834
<b>Intangible assets</b>	332	283	<b>Equity</b>	92,699	114,455
<b>Investments and other assets</b>	5,170	6,159	<b>Total liabilities and net assets</b>	301,942	308,555
<b>Total assets</b>	301,942	308,555	<b>Balance of interest-bearing debts</b>	178,086	168,801

\*unit: million yen

Total assets were 308.5 billion yen, up 6.6 billion yen from the end of the previous term due to the increase in real estate for sale and real estate for sale in process (including those under construction for which orders have been already placed.) Total liabilities declined 14.6 billion yen to 192.7 billion yen due to the decrease of interest-bearing liabilities, etc. Net assets rose 21.2 billion yen to 115.8 billion yen due to the rise in retained earnings, etc. As a result, capital-to-asset ratio rose 6.4 points from the end of the previous term to 37.1%.

The amount of acquired lands for condominiums, which is calculated by subtracting construction fees and other related fees from the inventory assets, the sum of real estate for sale and real estate for sale in process, in the balance sheet, was 61,459 million yen (12,367 units) for studio condominiums, 746,49 million yen (7,370 units) for family-type condominiums and 19,840 million yen (4,307 units) for condominium buildings. Pressance has obtained lands equivalent to more than the next 2 years of sales for both studio condominiums and family-type condominiums.

#### ◎Cash Flow

	3Q of FY 3/19	3Q of FY 3/20	Change
<b>Operating CF</b>	-4,575	10,190	+14,765
<b>Investing CF</b>	-1,696	-1,724	-28
<b>Free CF</b>	-6,271	8,466	+14,737
<b>Financing CF</b>	13,513	-9,243	-22,756
<b>Cash and equivalents</b>	36,580	38,624	+2,044

\*unit: million yen

Operating CF and free CF turned positive as profit grew and the amount of increase in inventory assets was smaller than that in the same period of the previous year.

Financing CF turned negative due to the decline in the revenue of long-term debt and the net reduction of short-term debts. The cash position improved.

**(4) Topics****◎ Replacement of representative director and president**

On December 16, 2019, the then representative director and president, Shinobu Yamagishi, was arrested by the Osaka District Public Prosecutors Office on suspicion of collusion in embezzlement by the former director of Meijo Gakuin Educational Corporation.

On December 23, 2019, Mr. Yamagishi offered to resign as a director, and the company accepted it. On the same day, the representative director and vice-president Yutaka Doi was appointed as representative director and president.

Sincerely facing the fact that the embezzlement was conducted beside the business transaction of land that the company plans to purchase and that the former president was involved with it, the company judged that it is necessary to investigate and examine the problems with its governance and also reform its governance structure. Then, it established an external committee for managerial reform, which is composed of outside experts who do not have a stake.

The company will thoroughly cooperate with the investigation by the external committee and swiftly disclose the results of the investigation and examination of the committee as well as their suggestions for reform of governance upon receiving them from the committee.

At the same time, the company issued a statement: “We would like to sincerely apologize for causing concern and inconvenience to customers, shareholders, business partners and other stakeholders.”

**3. Forecast for the Fiscal Year ending March 2020 Earnings****(1) Earnings Forecasts**

	FY 3/19	Ratio to sales	FY 3/20(forecast)	Ratio to sales	YOY	Progress Rate
Sales	160,580	100.0%	209,219	100.0%	+30.3%	87.7%
Gross profit	44,201	27.5%	54,278	25.9%	+22.8%	87.2%
SG&A	17,082	10.6%	21,746	10.4%	+27.3%	71.7%
Operating income	27,118	16.9%	32,531	15.5%	+20.0%	97.6%
Ordinary income	26,531	16.5%	31,429	15.0%	+18.5%	99.5%
Net income	18,296	11.4%	21,520	10.3%	+17.6%	97.8%

\*unit: million yen

\*The estimated values are from the company.

**No revision to the earnings forecast. It is estimated that sales and profit will grow over 10%, hitting a record high for 10 consecutive fiscal years. The annual dividend amount is to be 52.00 yen/share, up 11.50 yen/share from the previous term.**

There is no revision to the earnings forecast. It is estimated that sales will be 209.2 billion yen, up 30.3% year on year, and operating profit will be 32.5 billion yen, up 20.0% year on year.

Both sales and profit are expected to hit a record high for 10 consecutive fiscal years.

The progress rate toward the full-year forecast is 87.7% for sales and 97.6% for operating profit. The delivery of many pieces of real estate has been completed as scheduled. This indicates that their business is progressing steadily as planned.

As for dividends, the company plans to pay 52.00 yen/share, up 11.50 yen/share from the previous term. The estimated payout ratio is 15.0%. The company will keep increasing dividends by increasing profit and payout ratio.

**◎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)
Studio condominiums	3,505	68,152	70,901	96.1%
Family-type condominiums	2,037	75,906	74,757	101.5%
Sale of condominium buildings	1,378	24,798	24,715	100.3%
Hotel	793	19,292	18,292	105.5%
others	202	19,599	12,035	162.8%
<b>Total</b>	<b>7,915</b>	<b>207,750</b>	<b>200,702</b>	<b>103.5%</b>

\*unit: million yen

\*Others are residential and real estate sales.

As of December 31, 2019, the company was already scheduled to earn sales of 207.7 billion yen in the business of sale of condominiums and other houses and real estate this term. This is 3.5% larger than the sales plan for this term: 200.7 billion yen.

**4. Conclusions**

The progress until the third quarter is healthy. Although we are concerned about the effects of the apprehension of the former president and the replacement of representative director and president, we would like to pay attention to their progress toward the full-year forecast under the new president, Yutaka Doi, who considers that “sincerity is a driver for further growth” and aims to win the deep trust of all stakeholders.

## <Reference1: The Medium-Term Management Plan>

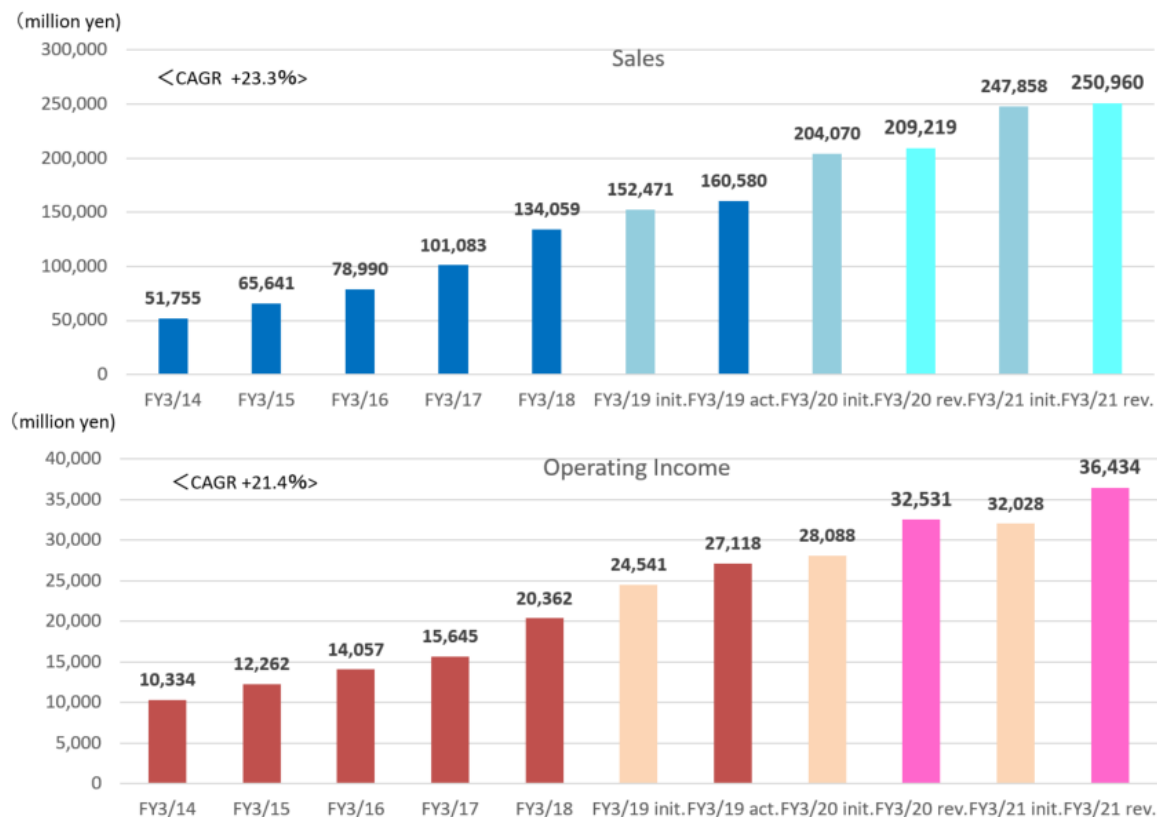
### (1) Medium-Term Management Plan Outline

#### (Outline)

Performance goals	Sales:2,509 billion yen Operating profit:364 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.

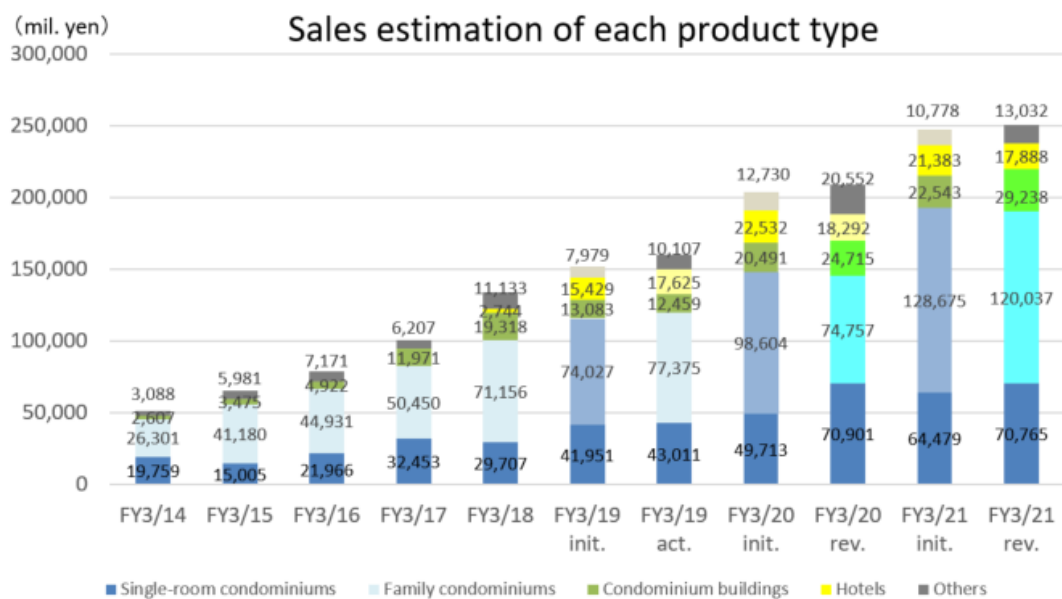
#### (Trends of Sales, Profit)



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



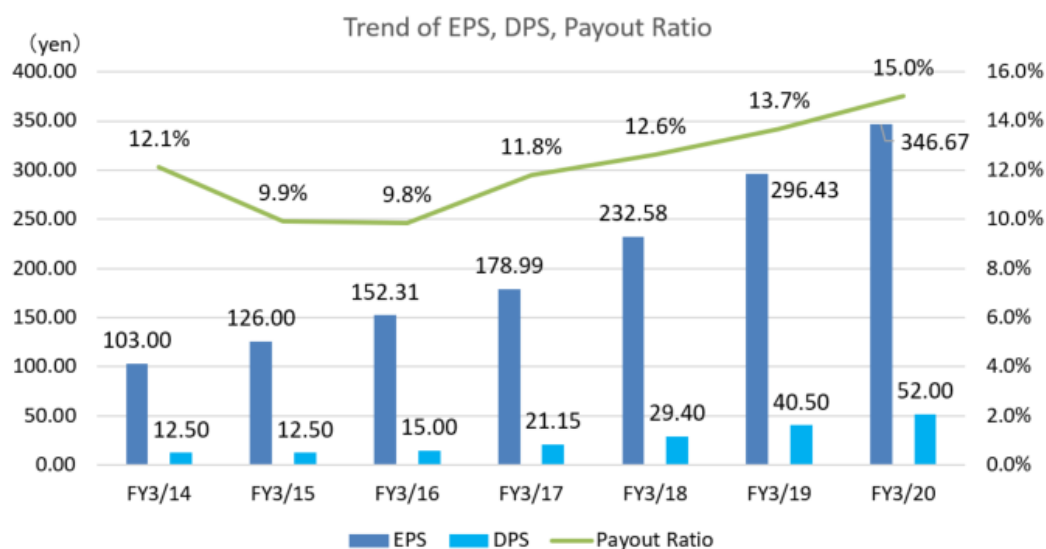
# BRIDGE REPORT



- ◇ 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).

### (Dividends)

Pressance has raised payout ratio to over 15% this term. This amount was determined by combining the source of the dividend (a 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.



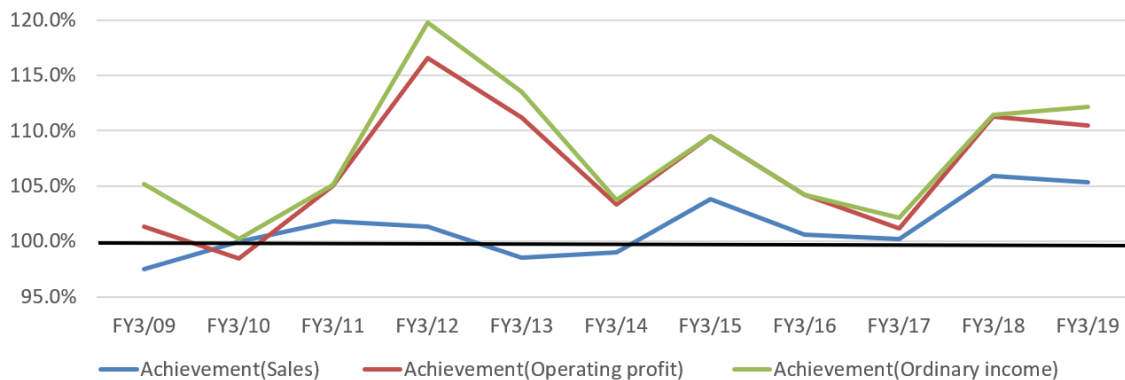
### (For achieving the forecasts)

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 at the start of the second year of the Medium-Term Management Plan are up to 73.3%.

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 effects 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 reached.

Target performance achievements



<Reference2: Regarding Corporate Governance>

◎Organization category, and the composition of directors and auditors

Organization category	Company that has an audit committee, etc.
Directors	10 directors, including 3 external ones

◎Corporate governance report

Last modified: June 24, 2019.

<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.

## &lt;Major disclosed principles&gt;

Principle	Disclosed content
【Principle 1-4 So-called strategically-held shares】	<p>(1) Pressance may hold the shares of a business counterparty, in order to foster a good relation with the counterparty and conduct business smoothly. The company will keep holding the shares of business counterparty as long as they are considered to improve the corporate value of the company, but every year, the company will verify propriety of holding shares by considering whether or not the profit from each held share surpasses its risk and capital cost as well as if the reasons of holding shares, such as strengthening the relationships with clients, are reasonable, and discuss the sale of the shares that are not worth holding while considering share prices, etc.</p> <p>(2) The basic policy is to exercise the voting rights for the owned shares while considering whether or not business partners' decisions would improve the corporate value of Pressance.</p>
【Principle 5-1 Policy for construction dialogue with shareholders】	<p>Pressance considers shareholders and investors as important stakeholders and will make constructive communications with shareholders and investors by using various opportunities, including general meetings of shareholders, in order to achieve sustainable growth and improve its corporate value.</p> <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ As a means for communications with shareholders and investors, the company holds interviews with shareholders and institutional investors via securities firms.</li> <li>▪ 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.</li> <li>▪ The insider information in communications is handled in accordance with the regulations for the management of insider transactions.</li> </ul>

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