
 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/en/ir/">http://www.pressance.co.jp/en/ir/</a>

## Stock Information

Share Price	Number of shares issued		Total market cap.	ROE(Actual)	Trading Unit
¥1,315	65,198,961 shares		¥85,736 million	21.1%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR(Actual)
TBD	-	TBD	-	¥1,791.63	0.7x

\*The share price is the closing price on Jun 10. Each number is taken from the brief financial report for the fiscal year ended March 2020.

\*The full-year forecast for this term is yet to be determined because it is difficult to reasonably estimate the extent of the impact of the coronavirus pandemic and the timing of its subsiding.

## 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(Actual)	224,011	32,609	31,985	21,892	347.45	39.00
Mar. 2021(Forecast)	-	-	-	-	-	-

\*Unit: Million yen or yen.

\*The full-year forecast for this term is yet to be determined because it is difficult to reasonably estimate the extent of the impact of the coronavirus pandemic and the timing of its subsiding.

\*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 fiscal year ended March 2020, etc.

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## Key Points

- The sales for the fiscal year ended March 2020 were 224 billion yen, up 39.5% year on year. Mainly studio condominiums contributed to the sales growth. Gross profit margin decreased 3.8 points due to higher costs and changes in product mix, but gross profit increased 20.2% year on year. Operating profit was 32.6 billion yen, up 20.2% year on year. SG&A expenses were 20.5 billion yen, up 20.1% year on year. The increase in gross profit offset the increase in SG&A expenses that recorded prior to sales, such as sales commissions, advertising expenses for family condominiums and personnel expenses associated with the increase in the number of employees. Consequently, both sales and profit achieved double-digit increases and marked record highs while exceeding forecasts.
- The year-end dividend forecast was revised from 26 yen/share at the beginning of the term to 13 yen/share, and the annual dividend was revised from 52 yen/share to 39 yen/share since the company prioritizes securing a large amount of cash on hand under the market uncertainty due to the coronavirus pandemic. In condominium development business, it takes about two to three years from land purchase to completion of condominium construction and collection of account receivables, and the land purchase and construction expenditures occur in advance.
- For the fiscal year ending March 2021, only the first-half forecast is disclosed, and the full-year forecast is yet to be determined. It is difficult to rationally calculate business forecasts due to uncertain economic and market prospects as it is hard to estimate the impact of the coronavirus pandemic and the timing of its subsiding. Also, the dividend forecasts of the interim and year-end for the current term have not been determined yet. As stated above, in order to prioritize securing a large amount of cash on hand, the dividend policy announced in May 2018 was withdrawn, and the dividend policy as well as numerical targets for dividends for the fiscal years ending March 2021 and later were changed to “To be determined.”
- The impact of the coronavirus pandemic is uncertain at this point, and investors have no choice but to wait for the disclosure of the quarterly financial results. We would like to expect qualitative information such as sales trends.
- New opportunities for area expansion are brought to the company through the alliance with Open House, Co., Ltd although the company has been operating its business mainly in the Kinki and Tokai regions. This is a big step forward. Currently, the two companies are discussing various ways to achieve synergies, and we would like to watch how quickly specific outcomes are produced.

## 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 ten consecutive years as well as Tokai-Chukyo region for eight consecutive years. In Japan, the company was ranked in the 2<sup>nd</sup> place for three consecutive years. Its major strengths include plentiful supply volume of condominiums, large market share, outstanding sales capabilities 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 an advantage of 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	4,380,209	367,669	4,627,388	795,396	212,850	1,040,877
1928	Sekisui House, Ltd.	2,415,186	213,905	2,634,748	884,118	94,827	579,107
3231	Nomura Real Estate Holdings, Inc.	676,495	73,077	1,801,273	234,973	298,787	870,000
<b>3254</b>	<b>Pressance Corporation</b>	<b>224,011</b>	<b>31,985</b>	<b>310,779</b>	<b>27,074</b>	<b>217,964</b>	<b>158,988</b>
3289	Tokyu Fudosan Holdings Corporation	963,198	67,499	2,487,369	287,345	366,591	453,558
8804	Tokyo Tatemono Co., Ltd.	323,036	44,611	1,564,049	151,004	98,216	922,051
8830	Sumitomo Realty & Development Co., Ltd.	1,013,512	220,520	5,317,623	351,368	286,254	3,440,908
8877	ESLEAD CORPORATION	61,638	8,000	80,494	12,320	40,119	22,347
8897	Takara Leben CO., LTD.	168,493	11,201	195,448	23,861	46,102	114,023

\*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	373.7%	37.3%	22.5%	8.4%	14.1%	1,812,167	17.1	1.0
1928	Sekisui House, Ltd.	932.3%	48.1%	22.0%	8.9%	11.5%	1,445,600	10.3	1.1
3231	Nomura Real Estate Holdings, Inc.	78.6%	30.5%	48.3%	10.8%	9.1%	411,595	-	0.7
<b>3254</b>	<b>Pressance Corporation</b>	<b>12.4%</b>	<b>37.1%</b>	<b>51.2%</b>	<b>14.3%</b>	<b>21.1%</b>	<b>86,258</b>	<b>-</b>	<b>0.7</b>
3289	Tokyu Fudosan Holdings Corporation	78.4%	23.5%	18.2%	7.0%	6.7%	418,221	16.1	0.7
8804	Tokyo Tatemono Co., Ltd.	153.7%	24.0%	59.0%	13.8%	8.2%	315,030	9.8	0.8
8830	Sumitomo Realty & Development Co., Ltd.	122.7%	24.4%	64.7%	21.8%	11.3%	1,508,240	11.5	1.2
8877	ESLEAD CORPORATION	30.7%	58.6%	27.8%	13.0%	11.3%	23,414	-	0.5
8897	Takara Leben CO., LTD.	51.8%	25.9%	58.3%	6.6%	10.9%	45,980	-	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 Jun 3, 2020

\*Nomura Real Estate Holdings, Pressance Corporation, Nihon Eslead Corp., Takara Leben Co., Ltd. have not yet forecasted this term.

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.

## 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 condominiums for the benefit of the owners and the building maintenance

## ◎Product mix

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

The approximate average price of a property is 19 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, D: dining, 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 2020)

Product Type	Amount sold	Percentage	No. of units	Percentage
Studio condominiums	67,255	30.0%	3,479	42.6%
Family-type condominiums	78,587	35.1%	2,109	25.8%
Condominium buildings	27,299	12.2%	1,532	18.8%
Hotel property	19,292	8.6%	793	9.7%
Other housing	4,726	2.1%	248	3.0%
Other real estate	18,364	8.2%	-	-
Business accompanying real estate sale	1,158	0.5%	-	-
Real estate sale business, Total	216,684	96.7%	8,161	100.0%
Others	7,327	3.3%	-	-
Total	224,011	100.0%	8,161	100.0%

\*unit: million yen

\* The sale of condominium building refers to the method of wholesaling the whole or part of each condominium building mainly to condominium dealers

\* The sale of other type of housing refers to the sale of houses, including used houses and detached houses, other than newly built condominiums.

\* The sale of other real estate refers to the sale of real estate, including commercial stores and lands for development, other than housing

\*Business accompanying real estate sales include fees for optional post delivery work, such as floor coating, and agent commissions for real estate sales.



## ◎Sales by region

The cumulative supply volume from November 1998, in which the company started selling original brand condominiums, to the end of March 2020 are 781 buildings which consist of 52,862 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	354	24,577
Aichi	187	12,215
Kyoto	80	4,115
Hyogo	76	5,640
Shiga	12	1,601
Okinawa	21	1,105
Tokyo	21	1,336
Hiroshima	5	410
Fukuoka	3	170
Others	22	1,693
<b>Total</b>	<b>781</b>	<b>52,862</b>

\*Accumulated supply volume from November 1998 to the end of March 2020

The company plans to enhance its brand and increase market share further in the Kinki and Tokai-Chukyo regions.

### 【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 competitiveness to collect the information of land on sale.

#### 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 salespersons sell a piece of real estate during the same period. This way can intensify in-company competitions and motivated sales forces.

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 5 minutes on foot for studio condominiums and 10 minutes on foot for family condominiums 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, etc. 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.

### ⑤Stable earning power

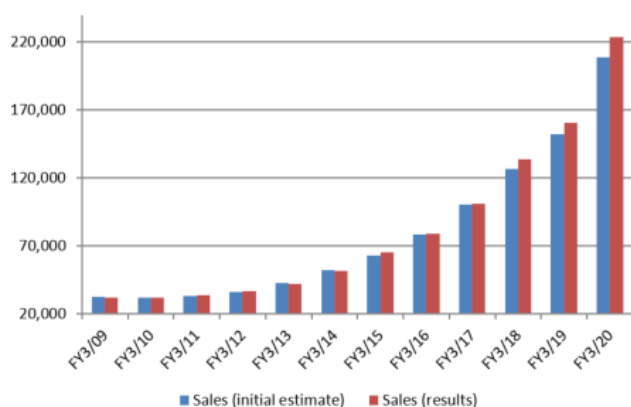
Pressance Corporation was listed on the stock market in December 2007, and it has released its financial forecast 12 times from the fiscal year ended March 2009 to the fiscal year ended March 2020. Comparing the initial forecasts and the actual results of sales and ordinary income, sales did not reach 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.



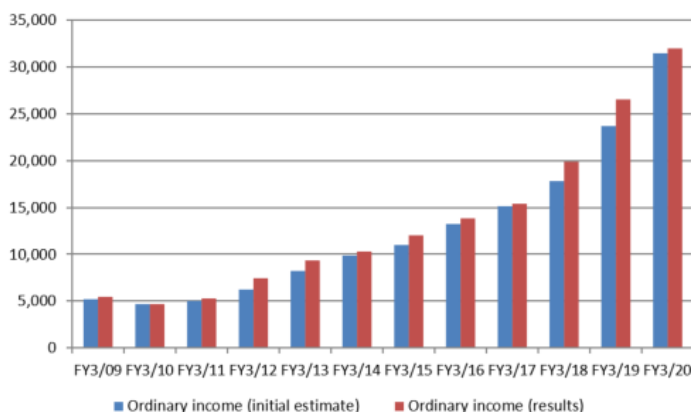
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(Unit: ¥ mil.)



(Unit: ¥ mil.)



## 【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	FY 3/20
<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>	<b>21.1</b>
Net income margin [%]	12.64	12.15	11.82	11.64	10.41	10.26	11.39	9.77
Total asset turnover [times]	0.74	0.75	0.74	0.70	0.65	0.62	0.59	0.73
Leverage [times]	1.98	2.01	2.17	2.38	2.83	3.25	3.30	2.95

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<sup>\*2</sup>” 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 2020 Earnings Results

### (1) Consolidated Business Results

	FY 3/19	Ratio to sales	FY 3/20	Ratio to sales	YOY	Ratio to initial forecasts
Sales	160,580	100.0%	224,011	100.0%	+39.5%	+7.1%
Gross profit	44,201	27.5%	53,124	23.7%	+20.2%	-2.1%
SG&A expenses	17,082	10.6%	20,515	9.2%	+20.1%	-5.7%
Operating income	27,118	16.9%	32,609	14.6%	+20.2%	+0.2%
Ordinary income	26,531	16.5%	31,985	14.3%	+20.6%	+1.8%
Net income	18,296	11.4%	21,892	9.8%	+19.7%	+1.7%

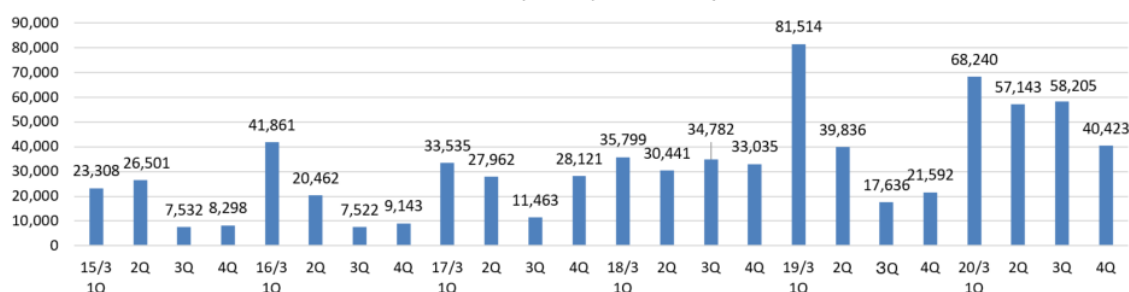
\*unit: million yen

### Sales and profit growth and marked record highs

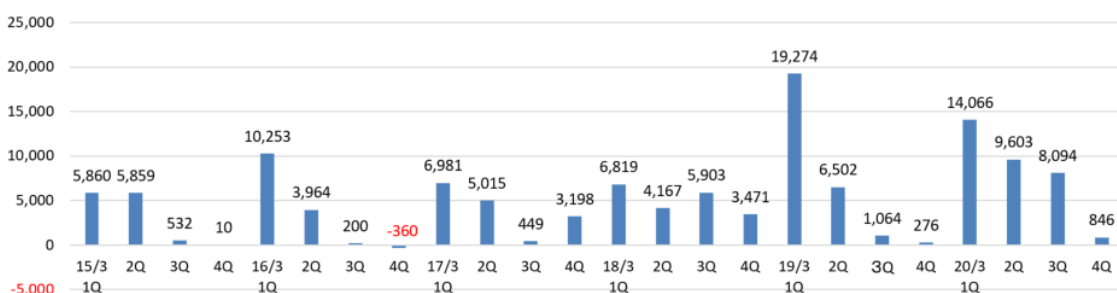
The sales for the fiscal year ended March 2020 were 224 billion yen, up 39.5% year on year. Mainly studio condominiums contributed to the sales growth. Gross profit margin decreased 3.8 points due to higher costs and changes in product mix, but gross profit increased 20.2% year on year. Operating profit was 32.6 billion yen, up 20.2% year on year. SG&A expenses were 20.5 billion yen, up 20.1% year on year. The increase in gross profit offset the increase in SG&A expenses that recorded prior to sales, such as sales commissions, advertising expenses for family condominiums and personnel expenses associated with the increase in the number of employees. Consequently, both sales and profit achieved double-digit increases and marked record highs while exceeding initial forecasts.

The year-end dividend forecast was revised from 26 yen/share at the beginning of the term to 13 yen/share, and the annual dividend was revised from 52 yen/share to 39 yen/share since the company prioritizes securing a large amount of cash on hand under the market uncertainty due to the coronavirus pandemic. In condominium development business, it takes about two to three years from land purchase to completion of condominium construction and collection of account receivables, and the land purchase and construction expenditures occur in advance.

Sales in each quarter (unit : million yen)



Operating income in each quarter (million yen)



## (2) Condominium sales business trends

### ◎Sales results

Type	No. of units	YOY	Sales	YOY	Ratio to initial forecasts
Studio condominiums	3,479	+47.2%	67,255	+56.4%	-5.1%
Family-type condominiums	2,109	+1.5%	78,587	+1.6%	+5.1%
Condominium buildings	1,532	+74.1%	27,299	+119.1%	+10.5%
Hotel property	793	-19.1%	19,292	+9.5%	+5.5%
Total condo sales business	7,913	+25.6%	192,435	+27.9%	+2.0%

\*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.

Sales of studio condominiums such as Pressance THE Kobe (235 units) were strong and increased 56.4% year on year but were slightly below the initial forecast. Family condominiums further exceeded the previous year's results, which increased significantly thanks to the large sales volume of Legend Biwako (486 units), and also initial forecast.

**(3) Financial position and cash flow****◎ Main BS**

	End of Mar. 2019	End of Mar. 2020		End of Mar. 2019	End of Mar. 2020
<b>Current assets</b>	280,591	296,066	<b>Current liabilities</b>	82,916	107,318
<b>Cash and deposits</b>	41,990	44,774	<b>Short-term interest-bearing debts</b>	54,467	73,084
<b>Real estate for sale</b>	9,603	27,074	<b>Noncurrent liabilities</b>	124,407	86,770
<b>Real estate for sale in process</b>	225,302	217,964	<b>Long-term interest-bearing debts</b>	123,619	85,903
<b>Noncurrent assets</b>	21,350	14,712	<b>Total liabilities</b>	207,323	194,088
<b>Property, plant and equipment</b>	15,848	7,640	<b>Net assets</b>	94,618	116,690
<b>Intangible assets</b>	332	254	<b>Equity</b>	92,699	115,306
<b>Investments and other assets</b>	5,170	6,817	<b>Total liabilities and net assets</b>	301,942	310,779
<b>Total assets</b>	301,942	310,779	<b>Balance of interest-bearing debts</b>	178,087	158,988

\*unit: million yen

Total assets were 310.7 billion yen, up 8.8 billion yen from the end of the previous term despite the decrease in tangible fixed assets and real estate for sale in process, due to the increase in real estate for sale. Total liabilities declined 13.2 billion yen to 194.0 billion yen due to the decrease in interest-bearing liabilities, etc. Net assets rose 22.0 billion yen to 116.6 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 decrease in property, plant and equipment is due to the transfer of 12 rental properties to real estate for sale.

As of the end of March 2020, 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 56,594 million yen (11,485 units) for studio condominiums, 69,218 million yen (6,970 units) for family-type condominiums and 25,674 million yen (5,534 units) for condominium buildings. Pressance has obtained enough lands to secure future sales.

**◎Cash Flow**

	FY 3/19	FY 3/20	Change
<b>Operating CF</b>	-24,480	23,180	+47,661
<b>Investing CF</b>	-2,192	-1,837	+355
<b>Free CF</b>	-26,673	21,343	+48,016
<b>Financing CF</b>	36,735	-19,059	-55,794
<b>Cash and equivalents</b>	39,400	41,684	+2,283

\*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 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

##### ◎The company concluded a capital and business alliance agreement with Open House Co., Ltd.

In April 2020, the company concluded a capital and business alliance agreement with Open House Co., Ltd. (TSE First Section, 3288).

#### Purposes and reasons

The Open House Group operates mainly the businesses of detached houses, condominiums and real estate for investment mostly in the Tokyo metropolitan area. The Group aims to expand its business by strengthening the competitiveness of its core business of detached houses, developing a business portfolio that fits to changes in the external environment and strengthening the management base that promotes corporate growth. Especially in the condominium business, it is working on the expansion and regrowth of the business and is focusing on developing small-scale condominiums in highly convenient locations in central Tokyo that are expected to grow.

Pressance Corporation has been leading the record of condominium supply in the Tokai-Chukyo regions as well as in the Kinki region where the head office is located. It even ranked 2nd at the national level (2019). However, in 2019, the former president was arrested.

Under these circumstances, the capital and business alliance agreement was concluded based on the idea that this alliance would promptly remove the anxiety of stakeholders including Pressance Corporation's customers, shareholders, employees, business partners and other relevant parties through credit enhancement by Open House and that the generation of business synergies through integration of the business resources and management know-how of both companies, such as mutually complementing their operating regions and expanding their product lineup, would help maximize profits for both companies and their stakeholders.

#### (Description of the Capital and Business Alliance)

##### ① Details of the business alliance

###### (i) Regional complement

\*Establishment of Pressance Corporation's business in the Kanto region

Pressance Corporation has been developing condominiums for investment mainly in the Kansai region. Utilizing the real estate network of Open House in the Kanto region, Pressance Corporation aims to increase sales and grow the business in the Kanto region.

\*Establishment of Open House's business in the Kansai region

Using Pressance Corporation's real estate network in the Kansai region, Open House aims to increase sales and grow the detached houses business, which Open House operates mainly in the Kanto region, in the Kansai region by sharing information to the extent that does not compete with the single-family houses sales business that Pressance Corporation is developing as a group.

\*Alliances in other regions

Also, in other regions, they will explore the possibility of a partnership between themselves including the implementation of joint projects.

###### (ii) Product complement

\*Expanding the product lineup

From the perspective of expanding an investment product lineup, the two companies will bring together their investment products, such as condominiums for investment, overseas real estate as well as other profitable real estate, and offer a wide range of investment products to existing and potential investors. They aim to meet the various needs of investors and grow the businesses of both companies.

\*Developing products

Through collaboration between the product development departments of both companies, they are intending to develop products that meet the various needs of customers (e.g. currency diversification, inheritance measures, profit expansion) and flexibly supply products to customers by implementing joint projects, etc.

## (iii) Management of rental properties and properties for sale

By sharing the business foundation and know-how of the subscription-type business that Pressance Corporation has acquired through rental management of its own properties and property management, Open House expects to grow its subscription-type business by providing similar services for its properties.

## (iv) Cost reduction

The purchasing departments of both companies aim to reduce costs, standardizing parts and totaling the handling volume.

## ② Details of the capital alliance

In May 2020, Open House acquired approximately 20 million shares of Pressance Corporation through off-market bilateral transactions from Pressance Corporation's largest and second largest shareholders.

As a result, Open House acquired Pressance Corporation's shares, equivalent to 31.9% of the total number of voting rights (as of the end of March 2020).

Pressance Corporation became an equity method affiliate of Open House.

## ③ Dispatch of officers

The two companies have agreed that Open House has the right to nominate one (or two, if both companies agree) part-time director candidate for Pressance Corporation.

Based on this agreement, Pressance Corporation plans to submit a proposal for election of directors including one director candidate nominated by Open House at the ordinary general meeting of shareholders to be held in June 2020.

### 3. Fiscal Year ending March 2021 Earnings Forecasts

#### (1) Earnings Forecasts

For the fiscal year ending March 2021, only the first-half forecast is disclosed, and the full-year forecast is yet to be determined. It is difficult to rationally calculate business forecasts due to uncertain economic and market prospects as it is hard to estimate the impact of the coronavirus pandemic and the timing of its subsiding. Also, the dividend forecasts of the interim and year-end for the current term have not been determined yet. As stated above, in order to prioritize securing a large amount of cash on hand, the dividend policy announced in May 2018 was withdrawn, and the dividend policy as well as numerical targets for dividends for the fiscal years ending March 2021 and later were changed to "To be determined."

(1H Forecast)

	1H of FY 3/20	Ratio to sales	1H of FY 3/21(forecast)	Ratio to sales	YoY
Sales	125,383	100.0%	102,288	100.0%	-18.4%
Operating income	23,669	18.9%	16,080	15.7%	-32.1%
Ordinary income	23,398	18.7%	15,469	15.1%	-33.9%
Quarterly net income	15,660	12.5%	10,665	10.4%	-31.9%

\*unit: million yen

\*The estimated amounts are from the company.

As of the end of March 2020, the order backlog stood at 156.3 billion yen, down 16.2% from 186.5 billion yen at the end of the previous fiscal year, but on a volume basis, it remains at a high level of 1,223 units for studio condominiums and 2,057 units for family condominiums.

#### (2) Impact on business due to the coronavirus pandemic (as of the end of May 2020)

Some business activities have been affected by the coronavirus pandemic.

Regarding sales activities, face-to-face sales activities for studio condominiums were restricted to follow the request to stay at home.

For family condominiums, the number of visitors to model condominium units for preview has decreased. In addition, all departments had applied remote work and working for staggered working hours in order to prevent infections. The company also suspended face-to-face meetings within the company and with external business partners. Construction works continue without interruption.

#### 4. The content of management reform (recurrence prevention measures)

An external management reform committee was established in December 2019 after the former president was arrested on suspicion of conspiracy for a business embezzlement case involving land transactions with Meijo Gakuin. In March 2020, it received the committee's investigation report and published the outline of measures to prevent recurrence.

It announced recurrence prevention measures and progress at the time of financial results announcement in May 2020.

No	the outline of measures to prevent recurrence	recurrence prevention measures	Progress as of May 14
1	Revise the structure and the decision-making methods of important meetings, including the Board of Directors	· Increased the frequency of board meetings to twice a month	Implemented from January 2020.
		· Redesigning resolution and report requirements at board meetings	To be resolved in May 2020. Operation is scheduled to begin in June.
		· Establishment of a group management meeting with the participation of all group executives	Already in operation from April 2020
		· Establishment of a project meeting for land purchasing operations as a deliberative meeting for purchasing and sales operations.	Implemented in May 2020. Operation is scheduled to begin in June or later.
2	Creation of an environment to ensure the effective execution of Outside Directors' duties	· Expansion of secretariat functions to support the Audit Meeting	A secretariat function was established in the Internal Audit Division in May 2020 and has already been operational.
		· Monthly meetings between representative directors and the Audit Committee	Already in operation from May 2020
		· Attendance at the newly established Group Management Meeting	Already in operation from April 2020
		· Attend project meetings for the newly established land purchasing business	Operation is scheduled to begin in June 2020.
3	Design and education of rules regarding conflicts of interest and competing transactions	· Submission of a written pledge from a director or executive officer regarding conflicts of interest and competitive transactions	To be implemented in May 2020. (To be conducted every six months thereafter.)
		· Submission of written confirmation regarding the understanding and monitoring of transactions with conflicts of interest and competing transactions	To be implemented in May 2020. (To be conducted every six months thereafter.)
		· Training for directors, executive officers and employees	To be held in May 2020
4	Redesign of control activities in the land purchasing process	· Management methods, rules and checklists for the procurement project meetings	Regulations was in place by May 2020. Operation is scheduled to begin in June or later.
		· Disseminate information on the New Control Activities	To be implemented in May 2020.
5	Internal Audit Redesign	· Hiring of Internal Audit Personnel	Two experienced internal auditors have been hired.
		· Approval of the internal audit plan was added to the Board of Directors' resolutions.	To be implemented in May 2020. Scheduled to be resolved as soon as the internal audit plan is formulated (scheduled in June 2020).
		· Discussions between the Audit Committee and the Internal Audit Division (monthly)	To be implemented in May 2020. (to be held monthly thereafter)
		· Conducting a three-way interview with the accounting auditor, the Audit Committee and Internal Audit four times a year.	To be implemented in May 2020. (to be held quarterly)

Each measure is important, and the company is now emphasizing the establishment of various check systems because the company recognizes that the previous president's arbitrary decision making and execution without consultation, especially concerning land purchasing, was a major problem.



## 5. Conclusions

The impact the coronavirus pandemic is uncertain at this point, and investors have no choice but to wait for the disclosure of the quarterly financial results. We would like to expect qualitative information such as sales trends.

New opportunities for area expansion are brought to the company through the alliance with Open House, Co., Ltd although the company has been operating its business mainly in Kinki and Tokai regions. This is a big step forward. Currently, the two companies are discussing various ways to achieve synergies, and we would like to watch how quickly specific outcomes are produced.

### <Reference: Regarding Corporate Governance>

#### ◎Organization category, and the composition of directors and auditors

Organization category	Company that has an audit and supervisory committee, etc.
Directors	9 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.

##### <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 every year, the company will verify propriety of holding shares by considering whether or not the

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	<p>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.                  (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>
<p>【Principle 5-1 Policy for construction dialogue with shareholders】</p>	<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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