COMPANY RESEARCH AND ANALYSIS REPORT

Pressance Corporation Co., Ltd.

3254

Tokyo Stock Exchange First Section

29-Jun.-2018

FISCO Ltd. Analyst
Hideo Kakuta

FISCO Ltd.
http://www.fisco.co.jp

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Summary

Announced a three-year mid-term business plan Targeting ¥247,858mil in net sales and ¥32,028mil in operating profit in FY3/'21

Pressance Corporation Co., Ltd. <3254> (hereafter, also "the Company") is an independent developer of family and studio condominiums that handles planning, development and sales. It is the biggest supplier in the Kinki region and Tokai-Chukyo region as well as a solid player just behind the leading pack nationwide (data researched by Real Estate Economic Institute Co., Ltd.) The Company offers the Pressance series of condominiums, conveniently located less than 10 minutes' walk from major railway stations, designed and developed under the Company brand. Another strength is a highly motivated sales force resulting in so few unsold inventories. Pressance has grown steadily since its establishment in 1997. It was listed on the Second Section of the Tokyo Stock Exchange in 2007. As the Company has kept growing even after the Lehman Brothers bankruptcy, it was listed on the First Section of that stock market in 2013 and was included in the JPX-Nikkei Index 400 in 2015.

1. Business lineup

Pressance mainly develops and sells studio and family condominiums. Studio condominium sales, a core business since its foundation, involve building construction with units that offer 20-50 square meters at very convenient location within five minutes on foot from major train stations in city centers. And the Company sells these units under the Pressance brand. This business generated 22.2% of total sales in FY3/'18. Family condominium sales involve building construction with units that offer 50-100 square meters at sites surrounded by attractive environments and located within 10 minutes on foot from major train stations. And the Company sells these units under Pressance Loger and other brands. It provided 53.1% of FY3/'18 sales. In addition, 14.4% of total sales were generated provided from building sales, and 2.0% from hotel property sales.

The Company's business-model features industry-leading procurement capabilities, strong sales force driven by a highly motivated sales team with vibrant internal competition, competitive products with excellent cost performance, and sound financial position to obtain funds with favorable terms from financial institutions. A synergy of the three competitive features interact in a virtuous cycle, forming strong advantages.

2. Operating results trends

Regarding to FY3/'18 consolidated financial results, the Company reported ¥134,059mil in net sales (+32.6% YoY), ¥20,362mil in operating profit (+30.1%), ¥19,858mil in ordinary income (+28.8%), and ¥13,757mil in net profit attributable to owners of parent (+30.7%). Both sales and operating profit achieved growth of over 30%. Overall sales rose substantially due to sharp increases in family condominium sales volume and amount while building sales grew as planned. Compared to the initial plan, family condominium sales resulted in substantial surplus. While the cost of products sold ratio rose due to the change in product mix with different gross margins ratios and higher construction costs. However, family condominium sales increased by 41% YoY and lowered the SG&A expenses ratio. The Company marked all-time high operating profit and achieved 10% or greater YoY growth in eight consecutive fiscal years.

In FY3/'19 consolidated financial forecast, the Company aims to expand net sales to ¥152,471mil (+13.7% YoY), operating profit to ¥24,541mil (+20.5%), ordinary income to ¥23,661mil (+19.2%), and net profit attributable to owners of parent to ¥16,132mil (+17.3%). It expects healthy growth in net sales of family condominiums, the largest segment, to ¥74,027mil (+4.0% YoY) and a steep rise in sales of studio condominiums to ¥41,951mil (+41.2%). It projects a surge in hotel property sales to ¥15,429mil (+462.3%). The Company had already received contracted orders for 77.9% of its annual sales target (¥112,527mil) at the start of FY3/'19 due to the nature of its business. We think the forecast outlook is highly reliable (with very little chance of shortfall) because of high rate of received orders and the excellent precision of past guidance.

3. Growth strategy

The Company announced a mid-term business plan until with FY3/'21. With FY3/'21 goals of ¥247,858mil in net sales and ¥32,028mil in operating profit, it seeks to continue steady expansion of business. When the goals are achieved, it works out to dramatic increases, 1.85 times in net sales and 1.57 times in operating profit, comparing with FY3/'18 results. As business strategy, the Company plans to increase property supply to central areas in Osaka, Kobe, Kyoto, Nagoya, and other areas where the Company has a robust foothold. In those areas, populations have been growing, and residential demand has been expanding. The Company also intends to strengthen market positions in the cities where it recently entered into, such as Hiroshima, Hakata, Okazaki, Toyohashi, Hamamatsu, and Gifu. By product type, the Company plans to expand both family condominium and studio condominium business in a balanced manner and also aims to combine additional sales and profits of building sales and hotel property sales. The land procurement status is the most important barometer to assess the feasibility of achieving its mid-term business plan goals. We believe the Company offers robust visibility for actualizing plan goals because it has already obtained the land needed to carry out the three-year mid-term plan - (including the lands already acquired and contracted but before payments).

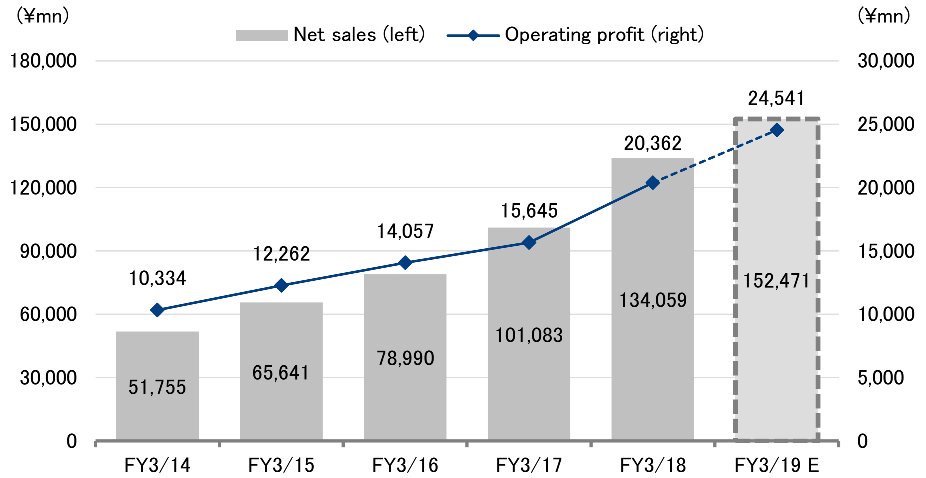
4. Shareholder returns

The Company has steadily raised the dividend in past, based on its policy of "expanding funds available for dividends through operating profit growth at an annual pace of at least 10% YoY." It announced two new policies at this time: "incrementally raising the payout ratio to 20% within five years" and "increasing total dividend amount by at least 15% YoY." We expect these additional measures to result in acceleration of the dividend hike pace over the mid-term. The FY3/'18 dividend per share was ¥29.40 for the full year (¥12.50 at end-1H, ¥16.90 at end-2H), a steep hike in three consecutive years. Dividend payout ratio in FY3/'18 climbed to 12.6%. In FY3/'19, the Company expects a ¥35.00 dividend per share (¥17.50 at end-1H, ¥17.50 at end-2H) that works out to a 13.0% payout ratio.

Key Points

- Distinctive business model built dominant procurement capabilities and strong sales force, competitive products, and sound financial position
- Forecasts with ¥152,471mil in net sales and a nine consecutive profit increases in FY3/'19; already acquired contracted orders that amount to 77.9% of the net annual sales target
- Announced a three-year mid-term business plan with FY3/'21 goals of ¥247,858mil in net sales and ¥32,028mil in operating profit
- New dividend policies of "incrementally raising the payout ratio to 20% within five years" and "increasing total dividend amount by at least 15% YoY"

Consolidated annual business results



Source: Prepared by FISCO from the Company's financial results

Company overview

Largest condominium developer in Kinki and Tokai-Chukyo areas Has risen to the second place nationwide in units supplied

1. Company overview

Pressance is an independent developer of family and studio condominiums that handles planning, development and sales. It is the biggest supplier in the Kinki region and Tokai-Chukyo region as well as the second-largest nationwide (2017) in terms of supply units. The company offers the Pressance series of condominiums, conveniently located less than 10 minutes' walk from major railway stations and using a proprietary design and development. Also its highly motivated sales force results in so few unsold inventories. Pressance has grown steadily since its establishment in 1997. It was listed on the Second Section of the Tokyo Stock Exchange in 2007. Having suffered little from the Lehman Brothers bankruptcy, the Company was listed on the First Section of that stock market in 2013 and was included in the JPX-Nikkei Index 400 in 2015.

2. History

Pressance's predecessor was Nikkei Prestige Co., Ltd., which was established in Osaka in October 1997 to sell studio condominiums. The Company was renamed as Pressance Corporation in April 2002. It steadily diversified into peripheral areas and expanded business scope, such as offering building management as well as insurance agency services in 1998, starting sales of family condominiums and offering real estate rental management services in 1999. Early in 2000s, Pressance began developing properties by itself and extended its business area to the Tokai-Chukyo and Kanto regions. It established Pressance Realta Co., Ltd. to handle brokerage and mediation for existing condominiums in 2008, acquired Tryst Co., Ltd., to operates a construction business and established Pressance Guarantee Co., Ltd. to offer rent fee payment guarantee service in 2014. It established Pressance Real Estate Co., Ltd. as a real estate solution consultancy in May 2015. Although the real estate industry seriously suffered from the aftermath of the Lehman Brothers bankruptcy in September 2008, the Company has kept outstanding performance and grown to a solid player just behind the leading pack in the condominium business. Pressance was listed on the Second Section of the Tokyo Stock Exchange in 2007 and on the First Section in 2013. The Company is highly rated on the stock exchange, selected as a component of the JPX-Nikkei Index 400 in 2015 and of the JPX-Nikkei Mid and Small Cap Index in 2016.

History

Date	Main events
Oct. 1997	Established Nikkei Prestige Co., Ltd.
Oct. 1997	Obtained real estate broker license from the Governor of Osaka
Nov. 1998	Sold Pressance Namba Higashi, the first building carrying the company's brand
Dec. 1998	Founded Pressance Community Co., Ltd. (currently Pacific Co., Ltd.), to offer building management and insurance agency services
June 1999	Created Nikkei Assist Co., Ltd. (now Pressance Jyuhan Co., Ltd.), to sell family condominiums
June 1999	Stared offering rental property management services
July 2000	Sold Pressance Shinsaibashi EAST, the first property that the company had itself developed
Apr. 2002	Renamed Pressance Corporation
May 2003	Sold Pressance Nagoya-jo Mae, the first property that the company developed itself in the Tokai region
Feb. 2005	Opened the Nagoya Sales Center
July 2005	Elevated Nagoya Sales Center to branch status
Dec. 2007	Listed on the Second Section of the Tokyo Stock Exchange
Aug. 2008	Established Room Pro Co., Ltd. (now Pressance Realta Co., Ltd.), to sell and broker existing condominiums
Dec. 2008	Opened a Tokyo branch
Oct. 2013	Listed on the First Section of the Tokyo Stock Exchange
Apr. 2014	Acquired a stake in construction firm Tryst Co., Ltd., making it a subsidiary
Aug. 2014	Set up Pressance Guarantee Co., Ltd., to offer rent guarantee services
Aug. 2015	Established Pressance Real Estate Co., Ltd., as a real estate solutions consultancy
Aug. 2015	Included in the JPX-Nikkei Index 400
Sep. 2016	Founded PROSEHRE Co., Ltd. in order to participate in real estate development projects in ASEAN and neighboring countries
Nov. 2016	Acquired all shares of Sanritsu precon Co., Ltd. and made it a subsidiary
Dec. 2016	Selected as a component stock of the JPX-Nikkei Mid and Small Cap Index
Jan. 2017	Designed as loan margin trading issue
Apr. 2017	Acquired all shares of Sanritsu precon Co., Ltd. and made it a wholly-owned subsidiary Lala place Co., Ltd.

Source: Prepared by FISCO from Company materials

3. Business breakdown

Pressance mainly develops and sells studio as well as family condominiums. Studio condominium sales, a core business since its foundation, booked 1,726 units sold and generated 22.2% of total sales in FY3/'18. This business involves building construction and sales of condominiums that offer 20-50 square meters at highly convenient location within five minutes on foot from major train stations under the Pressance brand. Customers generally purchase studio condominiums as investments for their financial assets, and intended customers are not only high-income and wealthy individuals but also general salaried employees with stable income.

Family condominium sales booked 1,860 units and provided 53.1% of FY3/'18 sales. This business consists of building construction and sales of condominiums that offer 50-100 square meters at location with attractive environments located within 10 minutes on foot from major train stations under Pressance Loger and other brands. Subsidiary Pressance Jyuhan Co., Ltd. manages sales of family condominium.

The third largest business is condominium building sales, in which Pressance wholesales developed buildings of studio condominiums to other condominium retailers; this accounted for 14.4% of total sales of FY3/'18. The Company added hotel property sales as a new segment in FY3/'18, focusing on developing and selling business hotels; it delivered two hotel properties (total 183 rooms) to buyers in FY3/'18, generating 2.0% of total sales. "Other" businesses include a real estate rental business that handles self-developed and owned properties, a building management business, rental property management business and an insurance agency; these businesses accounted for 3.4% of total sales of FY3/'18.

Business lineup in FY3/'18

Business segments	Business description	Sales volume (number of units)	Sales (¥mil)	Sales composition (%)
Real estate sales business	Studio condominium sales	1,651	28,350	28.1%
	Family condominium sales	1,293	45,177	44.7%
	Condominium building sales	1,086	17,073	16.9%
	Hotel property sales	183	2,744	2.7%
	Other housing sales	35	1,237	1.2%
	Other real estate sales	2	2,111	2.1%
	Peripheral businesses		855	0.8%
Other businesses	Rental of company's properties, etc.		3,474	3.4%
Total		4,250	101,024	100.0%

Source: Prepared by FISCO from the Company's financial results

Business overview

Distinctive business model built with dominant procurement capabilities and strong sales force, competitive products, and sound financial position

1. Condominium market trends

The condominium market supplied 77,363 new units nationwide in 2017 (+0.5 YoY), with a solid pace. Market trends are clearly different between Tokyo Metropolitan area and Kinki area. Supply in Tokyo Metropolitan area totaled 35,898 units (+0.4% YoY), while the average price rose 7.6% to ¥59.08mil by 7.6% in overheated conditions. In the Kinki area, the Company's active market, supply advanced to 19,560 units (+4.7%) and the average price stayed more affordable at ¥38.36mil dropping by 2.1% YoY. In Jan-Mar 2018, supply clearly increased in Tokyo Metropolitan area by 13.2% in Tokyo Metropolitan area and by 6.6% in Kinki, but price discrepancy was unchanged (¥59.68mil in Tokyo Metropolitan area and ¥37.55mil in Kinki). Looking at the condominium contract rate (contracted units/ offered units in 2017), the rate in Tokyo Metropolitan area was 68.1%, and the rate in Kinki was 76.1%. While 70% is recognized as a break point whether condominium market is sound or not, the rate in Kinki area marked above 70% in every month throughout the year. The price of condominiums in Kinki area is more affordable for consumers than Tokyo Metropolitan area. We believe this market environment is favorable for the Company that operates primarily in the Kinki area.

Trends for the number of unit and price of new condominiums on sales

	Number of condominiums sold					Condominium price				
	2015 (units)	2016 (units)	2017 (units)	Jan.-Mar. 2018 (units)	YoY (%)	2015 (¥mil)	2016 (¥mil)	2017 (¥mil)	Jan.-Mar. 2018 (¥mil)	YoY (%)
Metropolitan Tokyo	40,449	35,772	35,898	8,043	0.4%	55.18	54.90	59.08	59.68	7.6%
Kinki region	18,930	18,676	19,560	4,654	4.7%	37.88	39.19	38.36	37.55	-2.1%

Source: Prepared by FISCO from the Real Estate Economic Institute Co., Ltd.'s "Nationwide Condominium Market Trends – 2017"

2. Pressance's position

According to the latest Nationwide Condominium Market Trends report, released by the Real Estate Economic Institute on February 21, 2018, Pressance further improved its position in the condominium market in 2017, jumping to the second place from the forth place in 2016 and the sixth place in 2015 in terms of the number of condominium units supplied to market. Pressance was even stronger in regional markets, maintaining the largest condominium supplier position in the Kinki region for eight consecutive years, also the first place in Nagoya City for seven consecutive years and in the Tokai-Chukyo region for six consecutive years. In terms of ranking trends, condominium developers in Tokyo Metropolitan area seem to struggle with extraordinary high price, but competitive companies are growing in the Kinki region and other areas. And the Company is listed at the top group of growing companies. The Company possess the strength on lands acquisition because of its longstanding relationships with local real estate land brokers in Kinki and Tokai-Chukyo region. Other strengths are reasonable price to meet customer needs and efficient advertisements as well as promotions focused on the regions. Its price competitiveness is evident from a quick price comparison. In 2017 the average price for a Pressance family condominium in the Kinki region was ¥575,000 per square meter, while the market average price including studios type was ¥630,000 per square meter.

Condominium supply ranking by regional area (2017)

Position	2017	Tokyo Metropolitan area (units)	Kinki area (units)	Other areas (units)	Nationwide (units)
1	Sumitomo Realty & Development	5,663	968	546	7,177
2	Pressance Corporation	28	3,845	1,394	5,267
3	Nomura Real Estate Development	3,898	769	491	5,158
4	Mitsui Fudosan Residential	3,236	246	305	3,787
5	Mitsubishi Jisho Residence	2,380	244	477	3,101
6	Daiwa House Industry	778	343	977	2,098
7	Nihon Eslead	0	2,017	0	2,017
8	Anabuki Kosan	0	135	1,663	1,798
9	Sekisui House	752	436	315	1,503
10	Takara Leben	824	0	643	1,467

Position	2016	Nationwide (unit)
1	Sumitomo Realty & Development	6,034
2	Mitsui Fudosan Residential	4,320
3	Nomura Real Estate Development	4,056
4	Pressance Corporation	3,225
5	Mitsubishi Jisho Residence	3,215
6	Daiwa House Industry	2,185
7	Anabuki Kosan	1,619
8	Tokyu Land	1,551
9	Nihon Eslead	1,476
10	Takara Leben	1,204

Position	2015	Nationwide (unit)
1	Sumitomo Realty & Development	5,398
2	Nomura Real Estate Development	4,556
3	Mitsui Fudosan Residential	4,308
4	Mitsubishi Jisho Residence	4,005
5	Daiwa House Industry	2,770
6	Pressance Corporation	2,512
7	Tokyu Land	1,838
8	Tokyo Tatemono	1,501
9	DAIKYO	1,440
10	Takara Leben	1,399

Source: Prepared by FISCO from the Real Estate Economic Institute Co., Ltd. materials

3. Source of growth potential

Proactive land procurement is a key factor supporting the Company's exceptional growth. A comparison of real estate for sale and real estate for sale in process distinguishes the Company from major companies in condominium development industries. The Company's ratio of real estate for sale in process to sales is 135%. This is well above No.3-ranked Nomura Real Estate's 78%, showing and shows that the Company is sufficiently prepared with land procurement for future growth. Furthermore, its ratio of real estate for sale (finished inventory) to sales remains low at just 8% because of its robust selling capabilities. Synergistic effect from (1) strong sales force; (2) competitive products; and, (3) sound financial position makes it possible for the Company to proactively acquire land.

(1) Strong sales force

The Company started with a studio condominium sales business, and the presence of studio condo sales division with reliable sales capabilities is an important source of strength. As all members in studio condo sales division concentrate on selling one studio condominium building during a certain period, internal competition and the motivation of sales force can be enhanced. Additionally, its educational system is functioning well in which managers give front-line guidance to new employees and aim to pile up their success experiences. The Company also provides strong transparency in its evaluation system for wage raise and promotions based on results (unrelated to age or resume) twice a year.

(2) Competitive products

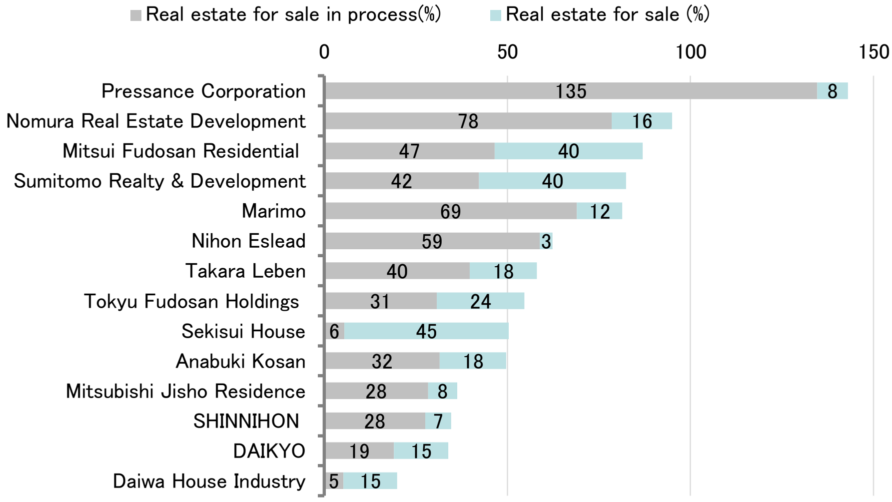
The Company emphasizes location as a core element of product strength. Looking for continuation of asset value over the long term, it sets criteria of walking distance within five minutes from a major city-center train station for studio condominiums and within ten minutes for family condominiums. With its own planning and developing operations, the Company outperforms its competitors on product delivery with well-balanced function in a reasonable price range.

(3) Sound financial position

The Company's low inventory of finished units and ability to quickly recover funds creates a virtuous financial cycle. The JPX Nikkei 400 Index selected Pressance as a component in August 2015 because of a favorable assessment on excellent financial standings. Sound financial position also contributes to funds with favorable terms in negotiations with financial institutions and general contractors. The Company currently raise funds for operation mainly by long-term funds at low interest rates.

Built a strong business model through the interaction of proactive procurement capabilities, strong sales force, sound financial position as well as, competitive products in a virtuous cycle.

Comparison of Progression rate in Preparations for the Future



Note: Real estate for sale in process includes project construction spending in progress and lands for development
Source: Prepared from company financial statements and disclosure materials

Operating results trends

For FY3/'18, YoY growth rate exceeding 30% for sales and earnings at every level

1. Financial results for FY3/'18

For FY3/'18, Pressance reported net sales of ¥134,059mil (+32.6% YoY), operating profit of ¥20,362mil (+30.1%), ordinary profit of ¥19,858mil (+28.8%) and net profit attributable to owners of parent of ¥13,757mil (+30.7%) with YoY growth exceeding 30% for sales and earnings at every level. Although the sales of studio condominiums declined due to less property transfer volume during the period, overall sales rose substantially because of increases in family condominium sales volume and value as well as sales growth in building sales. Compared to the initial plan, family condominium sales resulted in surplus substantially.

The cost of goods sold ratio rose 1.4 points YoY to 74.3% due to the change in product mix with different gross margin rates. While SG&A expenses increased such as advertising expense and payroll, gross profit amount grew more than SG&A expenses. As a result, sales increase lowered the SG&A expenses ratio by 1.2 points YoY to 10.5%. The Company marked all-time high operating profit in eight consecutive years.

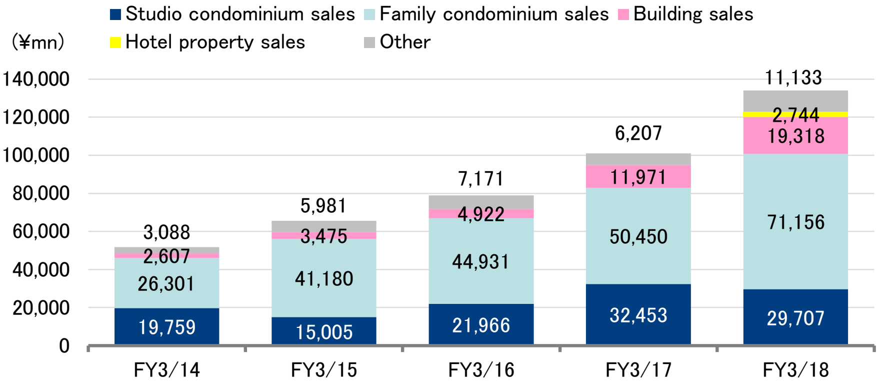
Business result for FY3/'18

(¥mil)

	FY3/'17		FY3/'18		
	Results	Composition	Results	Composition	YoY (% increase)
Net sales	101,083	100.0%	134,059	100.0%	32.6%
Cost of sales	73,651	72.9%	99,575	74.3%	35.2%
Gross profit	27,432	27.1%	34,484	25.7%	25.7%
SG&A expenses	11,786	11.7%	14,121	10.5%	19.8%
Operating profit	15,645	15.5%	20,362	15.2%	30.1%
Ordinary income	15,414	15.2%	19,858	14.8%	28.8%
Net profit attributable to owners of parent	10,526	10.4%	13,757	10.3%	30.7%

Source: Prepared by FISCO from the Company's financial results

Product sales trends



Source: Prepared by FISCO from the Company's mid-term business plan materials

Real estate for sale in process rose by ¥58,286mil sustaining financial soundness, too

2. Financial position and management indicators

Total assets increased substantially from the end of the previous fiscal year by ¥60,092mil to ¥245,399mil. The increase mainly came from ¥56,257mil in current assets and ¥58,286mil in real estate for sale in process. These increase exhibit that the Company is making healthy progress in acquisition of land required for future sales. Real estate for sales (finished inventory), meanwhile, dropped by ¥3,048mil, reflecting vibrant sales.

Total liabilities increased by ¥44,534mil from the end of the previous fiscal year to ¥170,226mil, including increases of ¥26,436mil in non-current liabilities, such as ¥19,930mil in long-term loans, and ¥6,400mil in convertible corporate bonds. Current liabilities increased by ¥18,098mil because of the increase in long-term loans scheduled for repayment within a year by ¥8,536 mil and in short-term loans by ¥6,525 mil.

In terms of financial ratios, the current ratio of 337.7% shows that the Company is rated high for short-term financial stability. The equity ratio of 29.8% is on the industry average level and reflects that the Company emphasizes procurement and has consistently kept solid financial stability for mid/long term, utilizing financial leverage to boost rapid growth.

Consolidated balance sheet and management indicators

(¥mil)

	As of March 31, 2017	As of March 31, 2018	Change
Current assets	171,810	228,067	56,257
Cash and deposits	30,534	31,374	840
Real estate for sale	14,324	11,275	-3,048
Real estate for sale in process	122,174	180,461	58,286
Non-current assets	13,497	17,331	3,834
Total assets	185,307	245,399	60,092
Current liabilities	49,438	67,537	18,098
Current portion of long-term loans payable	23,970	32,507	8,536
Short-term loans payable	1,440	7,965	6,525
Non-current liabilities	76,253	102,689	26,436
Bonds with subscription right to shares	-	6,400	6,400
Long-term loans	75,691	95,621	19,930
Total liabilities	125,691	170,226	44,534
Total net assets	59,615	75,172	15,557
Total liabilities and net assets	185,307	245,399	60,092
Stability			
Current ratio (current assets ÷ current liabilities)	347.5%	337.7%	-
Equity ratio (equity ÷ total assets)	32.0%	29.8%	-

Source: Prepared by FISCO from the Company's financial results

Business outlook

Guides for ¥152,471mil in net sales and nine consecutive profit increase in FY3/'19
Already received contracted orders that amount to 77.9% of its annual sales plan

In FY3/'19 consolidated guidance, the Company aims to maintain growth in sales and the various profit items at ¥152,471mil in net sales (+13.7% YoY), ¥24,541mil in operating profit (+20.5%), ¥23,661mil in ordinary income (+19.2%), and ¥16,132mil in net profit attributable to owners of parent (+17.3%).

The Company expects healthy growth in sales of family condominiums, the largest segment, to ¥74,027mil (+4.0% YoY) and a steep growth in sales of studio condominiums to ¥41,951mil (+41.2%). With multiple completions planned, it projects a surge in hotel property sales to ¥15,429mil (+462.3%). The Company already received contracted orders for 77.9% of its sales target (¥112,527mil) at the start of FY3/'19 due to the nature of its business. We think the outlook is highly reliable (with very little chance of shortfall) in light of the excellent precision of past guidance.

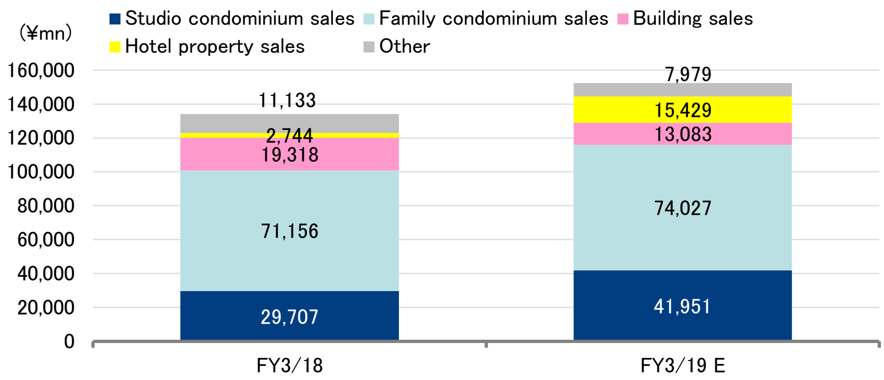
Outlook for FY3/'19 consolidated results

(¥mil)

	FY3/'18		FY3/'19		
	Results	Composition	Forecast	Composition	YoY
Net sales	134,059	100.0%	152,471	100.0%	13.7%
Operating profit	20,362	15.2%	24,541	16.1%	20.5%
Ordinary income	19,858	14.8%	23,661	15.5%	19.2%
Net profit attributable to owners of parent	13,757	10.3%	16,132	10.6%	17.3%

Source: Prepared by FISCO from the Company's financial results

Product sales outlook



Source: Prepared by FISCO from the Company's mid-term business plan materials

Medium/long term topics

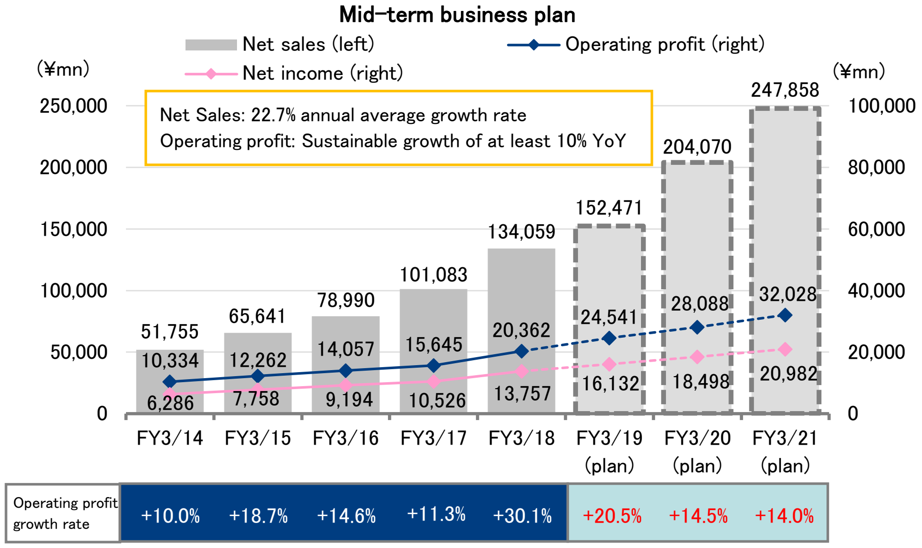
Announced a three-year mid-term business plan FY3/'21 goals of ¥247,858mil in net sales and ¥32,028mil in operating profit

1. Announced a three-year mid-term business plan

The Company announced a mid-term business plan with FY3/'21 as the final fiscal year. With FY3/'21 goals of ¥247,858mil in net sales and ¥32,028mil in operating profit, it seeks to continue steady broadening of business scope. If the goals are met, it works out to dramatic increases, versus FY3/'18 levels, of 1.85 times in net sales and 1.57 times in operating profit. Management presented the following three targets.

(1) Operating profit growth of at least 10% YoY
(2) Incrementally raising the payout ratio to 20% within five years
(3) Increasing total dividend value by at least 15% YoY

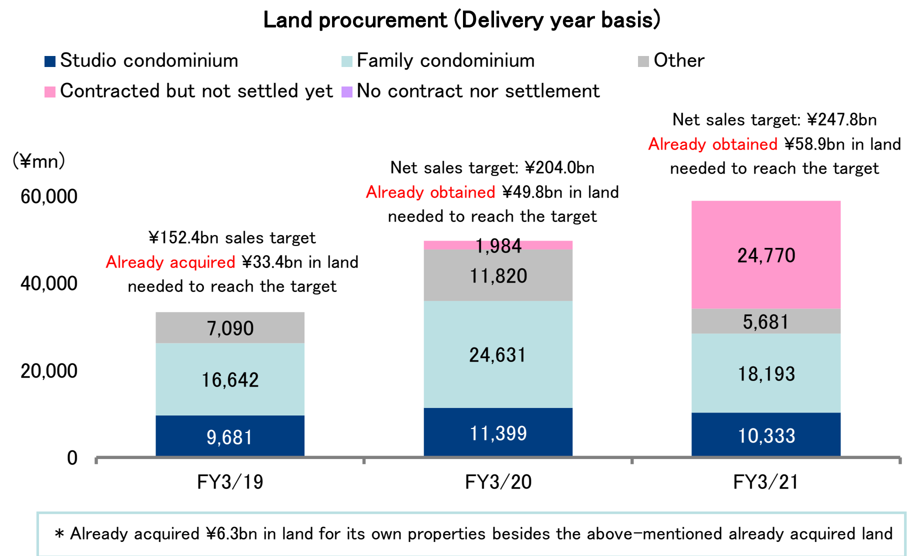
The first goal for (1) operating profit is an existing stance and actual profits have consistently exceeded this level. Management offered the other goals, (2) and (3), to clarify its policy of enhancing shareholder return. The Company has raised dividend payout ratio from 9.8% in FY3/'16 to 12.6% in FY3/'18 thanks to steep dividend hikes in three consecutive years. It intends to further accelerate this trend and lift the payout ratio to 20% within the next five years. We expect robust shareholder return through profit-driven expansion of funds available for dividends.



Source: Prepared by FISCO from the Company's mid-term business plan materials

2. Business strategy

In mid-term business strategy, the Company aims to expand its market shares in Osaka, Kobe, Kyoto, Nagoya, and other areas where it has already established a robust business foothold, and in which population tends to grow. And the Company plans to increase property supply to central areas in Osaka, Kobe, Kyoto, Nagoya, and other areas where the Company has a robust foothold. In those areas, population have been growing, and residential demand has been expanding. The Company also intends to strengthen market positions in the cities where it is relatively newcomer, such as Hiroshima, Hakata, Okazaki, Toyohashi, Hamamatsu, and Gifu. By product type, the Company plans to expand both mainstay family condominium sales and studio condominium business in a balanced manner and also aims to combine additional sales and profits of strengthened results in building sales and hotel property sales. The land procurement status is the most important barometer in assessing the feasibility of achieving its mid-term business plan goals are attainable. We believe the Company offers robust visibility for actualizing plan goals because it has already obtained the land needed to carry out the three-year mid-term plan (including acquired land and land under contracted but before payment not settled yet).



Note: Possibility of changing product type from Initial plan in response to changes in market trends and other aspects
Source: Prepared by FISCO from the Company's mid-term business plan materials

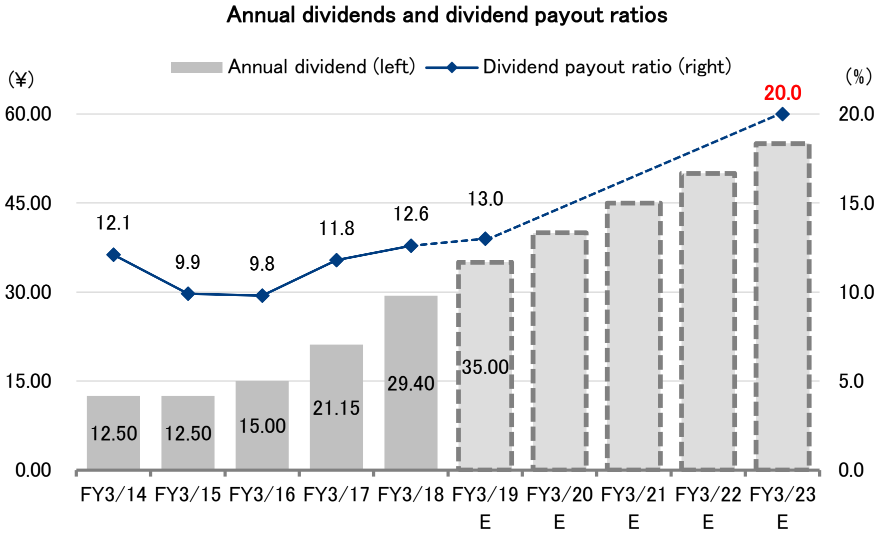
Shareholder return policy

New dividend policies of "payout ratio at 20% within five years" and "increasing total dividend amount by at least 15% YoY"

The Company has steadily raised the dividend for the past years based on a policy of "expanding funds available for dividends payment through operating profit growth by at least 10% YoY." It announced two new dividend policies this time: "incrementally raising the payout ratio to 20% within five years" and "increasing total dividend amount by at least 15% YoY." We expect these additional policies to result in the acceleration of dividend payment pace over the mid-term.

The FY3/'18 dividend per share was ¥29.40 for the full year (¥12.50 at end-1H, ¥16.90 at end-2H), a steep growth in three consecutive years. Dividend payout ratio in FY3/'18 climbed to 12.6% (vs. 11.8% in FY3/'17). In FY3/'19, the Company plans ¥35.00 dividend per share (¥17.50 at end-1H, and ¥17.50 at end-2H) that works out to a 13.0% dividend payout ratio.

Pressance also announced the scope of its shareholder gift program with provision of a Visa Gift Card worth ¥2,000 to shareholders owning 100 or more shares and less than 400 shares and also a Visa Gift Card worth ¥5,000 to shareholders owning 400 or more shares.



Note: Implemented a 4 for 1 stock split on October 1, 2016
Source: Prepared by FISCO from the Company's financial results

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