ES-CON JAPAN

Our Name Represents Our Core Functions

ES-CON JAPAN Ltd.'s core business is the development of real estate, from which the ES of ES-CON JAPAN derives. ES-CON JAPAN's business spreads out from its core business of developing condominiums – the CON of ES-CON JAPAN – to include the development of hotels, neighborhood shopping centers, logistics centers, etc., and the management of assets and buildings. Japan is the realm in which the company operates. Thus the name of ES-CON JAPAN Ltd. was adopted.

ES CON JAPAN

IDEAL to REAL

Annual Report 2016

For the year ended December 31, 2016

https://www.es-conjapan.co.jp/english/

Embarking on Our Next Phase of Working for the Future of Japan, Society and Communities

ES-CON JAPAN Ltd. (ES-CON JAPAN) has expanded to the company that it is today, listed on the first tier of the Tokyo Stock Exchange, by developing its main business of condominium development and spreading to the development of retail, hotels and other types of real estate properties while focused on planning and delivering a high-value product. We and the next generation of youth have the responsibility of building a society where people can hope. This transformation cannot occur overnight but ES-CON JAPAN is committed to the deliberate and prudent positive transformation of society and the building of a bright future for Japan.

Corporate Philosophy: Realizing the Importance of Being a Member of Society

The staff of ES-CON JAPAN spends time thinking about how it can contribute to society in the best possible manner every day. Applying our findings in contributing to society generates results. At the same time, all members of ES-CON JAPAN pursue how they can contribute to the happiness they seek. Our staff is committed to assisting each other so they can sincerely find the next stage of unique personal expression aspired to by all, while aiming to realize the theme of positively contributing to society.

In this process, we seek to improve society by contributing and delivering better ideas for a better life and materialize our ideals. We seek to transform the connections of people into a significant force through our human resources and to expand the possibilities of society through flexible solutions and concepts generated through brainstorming.

Forward-looking Statements

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to the management of ES-CON Japan and certain assumptions that are thought to be reasonable by ES-CON JAPAN. Accordingly, actual business performance and other results may differ materially. ES-CON JAPAN assumes no obligation to update any forward-looking statements in this report as a result of new information or future events.

Our Backbone, Our Business Segments

ES-CON JAPAN continues to expand operations rooted in real estate. Presently, the businesses of ES-CON JAPAN can be broken down into the real estate sales business, the real estate leasing business and the real estate planning agency and consulting business, which accounted for 89.3%, 10.5% and 0.2%, respectively of annual net sales in Fiscal 2016.

	Real Estate Sales Business	Real Estate Leasing Business	Real Estate Planning Agency and Consulting Business
Net Sales	30,687 million yen	3,594 million yen	65 million yen
Segment Income	4,798 million yen	2,058 million yen	65 million yen

To understand the scope of our real estate sales business, ES-CON JAPAN's net sales and segment income in this division grew by 24.5% and 27.3%, respectively. We sold 491 condominium units, giving us robust consolidated year-on-year growth of 44.5%. ES-CON JAPAN also laid the foundation for a strong future by acquiring 11 sites for developing for-sale condominiums, 9 retail development sites, 11 hotel development sites and 2 other sites. We are confident that these 33 new sites were acquired at prices that will guarantee a steady and strong future going forward. The real estate leasing business posted year-on-year increases of 25.8% in net sales and of 28.1% in segment income. This division will continue to acquire properties that generate steady rental income and an improvement in our asset value, and build high-yielding properties with an eye on both holding and selling them. Looking ahead, it will stably provide high-quality properties, centering on land for retail facilities, as the main sponsor of our REIT to support its external growth strategy. Our real estate planning agency and consulting business remains small but is a highly profitable non-asset business and we will continue to proactively market our planning services and ability to optimize the value of projects over multiple segments and usages.

ES-CON JAPAN focuses on planning products and provides comfortable and high-quality living by considering lifestyle changes and local characteristics as well as envisioning the happiness of people living in our products. We pursue our goal of becoming a "life developer" that works to develop people's lifestyles and promote communication among the residents who meet at our products.

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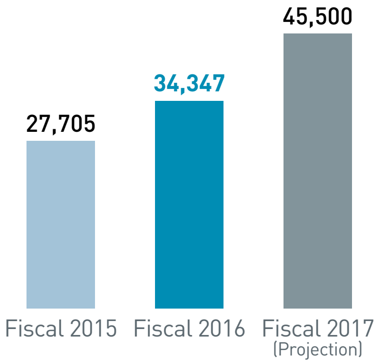
To Our Shareholders

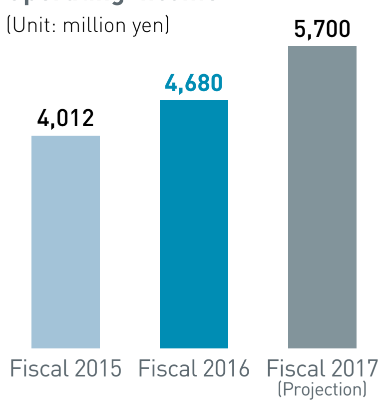
Fiscal 2016 was a great year for ES-CON JAPAN. We exceeded or fulfilled almost all of the targets in our Medium-Term Business Plan "Make the One for 2016" (Fiscal 2013 to 2016) including listing on the first tier of the Tokyo Stock Exchange and greatly exceeding previous year results through proactive, dependable business operations during Fiscal 2016. These efforts have materialized for our shareholders in the form of a dividend of 15 yen per share including a 2 yen commemorative dividend celebrating our listing on the first tier of the Tokyo Stock Exchange. Going forward we have established a new Medium-Term Business Plan titled "IDEAL to REAL 2019." We will continue to conduct multi-faceted businesses as an integrated real estate developer and evolve and grow into a company that is needed by society. Your continued support is appreciated.

Takatoshi Ito
President & Representative Director
ES-CON JAPAN Ltd.

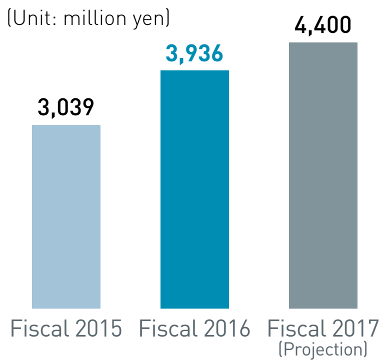
Net Sales
(Unit: million yen)



Operating Income
(Unit: million yen)



Profit Attributable to Owners of Parent
(Unit: million yen)



Strategic Steps in Fiscal 2016

1 Listed on First Tier of Tokyo Stock Exchange
ES-CON JAPAN successfully listed on the first tier on June 23, 2016. This demonstrates the steady growth in corporate value and the advancement to the next stage of the business.

2 Established ES-CON JAPAN REIT Investment Corporation
ES-CON JAPAN established the ES-CON JAPAN REIT Investment Corporation in August 2016. This diversified REIT, seeking to go public, is part of our growth strategy and will primarily invest in acquiring land leased to retail facilities. ES-CON JAPAN will contribute to the further growth of the REIT market by supplying solid properties to our REIT and also use it to achieve further growth as a general developer.

3 Founded new company, ES-CON LIVING SERVICE Ltd.
ES-CON JAPAN established ES-CON LIVING SERVICE Ltd. on September 1, 2016 as a means to create and strengthen our operations business as a key part of our growth strategy. ES-CON LIVING SERVICE will focus on condominium management, operating cafes, hotels, and other lodging options, conducting the renovation business, etc.

4 Launched Second Medium-Term Business Plan
ES-CON JAPAN celebrated reaching the targets of the First Medium-Term Business Plan by announcing its progression to the next stage with the Second Medium-Term Business Plan "IDEAL to REAL 2019," a new three-year plan from Fiscal 2017 to Fiscal 2019.

5 Formed Business Alliance with Ichigo Inc.
ES-CON JAPAN and Ichigo concluded a business alliance to further mutual growth through information sharing, with ES-CON JAPAN providing advanced information on their hotel development projects for Ichigo's hotel asset pipeline and Ichigo providing advanced information on Ichigo's ground lease assets for ES-CON JAPAN's development activities. The companies successfully conducted transactions in these areas in 2016.

6 Cafe Apartment 183 Opened
ES-CON JAPAN's first condominium with a cafe developed and operated by the group was launched in 2016: Le JADE Setagaya Kinuta. This condominium has a cafe restaurant – Cafe Apartment 183 – on the first floor. The restaurant opened in September 2016 and provides concierge services and a dining destination not only for residents of Le JADE Setagaya Kinuta but also the surrounding area.

7 (Fiscal 2017) Aired New Le JADE Series Commercial
ES-CON JAPAN began filming a new television commercial for its Le JADE condominium series in January 2017. The commercial presents ES-CON JAPAN as a life developer that realizes its customers' ideals and is one more step towards further improving our corporate value and the brand.

8 (Fiscal 2017) Selected for the New JPX-Nikkei Mid and Small Cap Index
The Tokyo Stock Exchange and Nikkei Inc. launched the JPX-Nikkei Mid and Small Cap Index in March 2017. This is a new index jointly developed by the two parties and ES-CON JAPAN was selected as one of the original company stocks for the index.

Achievement of the First Medium-Term Business Plan: No Complaints, Almost Delivered the Ideal

ES-CON JAPAN's First Medium-Term Business Plan was known as "Make the One for 2016" and ended in December 2016. During this three-year plan, ES-CON JAPAN rose to the first tier of the Tokyo Stock Exchange and delivered on the company's vitality and durability. Almost all management and performance targets were achieved as a result of progress in "building a durable and robust management structure no matter the environment." Total market capitalization at the announcement of the First Medium-Term Business Plan on its formation (August 2013) was 12.5 billion yen and this grew by 2.4 times to about 30.8 billion yen by the end of the plan in December 2016.

As a result of our measures to return profit to investors, ES-CON JAPAN has raised its dividend for four consecutive years and is paying a dividend per share of 15 yen for Fiscal 2016 (ended December 2016). A comparison between Fiscal 2012 and the end of Fiscal 2016 shows that new assets have increased by about 4.1 times and the balance of cash and deposits rose by about 3.6 times. This reveals that a robust foundation has steadily grown that can withstand almost any economic environment.

Management Objectives

	Fiscal 2013 (Actual)	Fiscal 2016 (Plan) (Minimum Requirement)	Fiscal 2016 (Actual)	Achievement Rate
Equity ratio	21.9%	30.0%	23.6%	78.5%
ROE	27.7%	13.0%	25.1%	193.2%
ROA	4.3%	3.6%	6.0%	165.9%
ROIC	4.2%	6.4%	6.5%	101.2%
EPS	31.14 yen	32.00 yen	58.76 yen	183.6%
BPS	137.14 yen	245.00 yen	259.07 yen	105.7%
Dividend payout ratio	3.2%	25.0%	25.5%	102.1%
Dividend	1 yen	12 yen	15 yen	125.0%
Total payout ratio	3.2%	35.0%	36.8%	105.1%

	As of August 8, 2013 (Announcement of First Medium-Term Business Plan)	As of End of December 2016	Comparison
Market cap	About 12.5 billion yen	About 30.8 billion yen	About 2.4 times
Closing share price	180 yen	437 yen	About 2.4 times
Nikkei 225 avg. (reference)	13,605 yen	19,114 yen	About 1.4 times

(Unit: million yen)

	As of End of December 2012 (Actual)	As of End of December 2016 (Actual)	Comparison
Net assets	4,203	17,363	About 4.1 times
Cash and deposits	2,234	8,204	About 3.6 times

Segment Targets

Performance of First Medium-Term Business Plan Announced on August 8, 2013 (Unit: million yen)

	Fiscal 2013 (Actual)	Fiscal 2014 (Actual)	Fiscal 2015 (Actual)	Fiscal 2016 (Actual)
Sales				
Real estate sales business	10,991	16,227	24,649	30,687
Real estate leasing business	2,234	2,479	2,857	3,594
Real estate planning agency and consulting business	331	136	199	65
Total	13,558	18,842	27,705	34,347
Segment income				
Real estate sales business	1,123	2,305	3,769	4,798
Real estate leasing business	1,448	1,487	1,606	2,058
Real estate planning agency and consulting business	309	130	173	65
Total	2,881	3,924	5,549	6,921

Performance of Original Plan as of December 2016 and Most Recently Revised Plan (Unit: million yen)

	Fiscal 2013 (Actual)	Fiscal 2014 (Actual)	Fiscal 2015 (Actual)	Fiscal 2016 (Original Plan)	Fiscal 2016 (Most Recent Plan)	Fiscal 2016 (Actual)	Fiscal 2016 (Comparison to Original Plan)
Sales	13,558	18,842	27,705	32,700	34,300	34,347	+1,647
Real estate sales business	10,991	16,227	24,649	29,450	30,680	30,687	+1,237
Real estate leasing business	2,234	2,479	2,857	3,100	3,560	3,594	+494
Real estate planning agency and consulting business	331	136	199	150	60	65	-85
Operating income	1,844	2,815	4,012	4,200	4,580	4,680	+480
Ordinary income	1,200	2,075	3,126	3,300	3,500	3,575	+275

Second Medium-Term Business Plan: IDEAL to REAL 2019

ES-CON JAPAN's Second Medium-Term Business Plan calls for firmly realizing customers' ideals and to create a new future. In other words, to make the ideal real. ES-CON JAPAN is committed to its duty as a life developer to develop "living" itself based on its basic philosophy of placing the customer first. The following page presents the new corporate strategy under the Second Medium-Term Business Plan and celebrates the near complete achievement of performance targets in the First Medium-Term Business Plan with new numerical targets.

Corporate Strategy

1. **Maximization of corporate value and returning profits to shareholders**
2. **Establishment of a robust business foundation that can withstand almost any economic environment**
3. **Building diverse businesses to ensure sustainable and stable growth**
4. **Building a robust business foundation (quality) and not focusing on corporate scale (quantity)**
5. **Implementation of corporate social responsibilities that return wealth to shareholders, society and other stakeholders**

Management Indices

	Fiscal 2016 (Actual)	Fiscal 2019 (Plan)
Equity ratio	**23.6%**	33.0% ~ 35.0%
ROE	**25.1%**	18.0% ~ 21.0%
ROA	**6.0%**	6.0% ~ 7.0%
ROIC*	**6.5%**	7.0% ~ 9.0%
EPS	**58.76 yen**	75 yen ~ 85 yen

*ROIC is arrived at using the following formula: operating income after taxes ÷ (shareholders' equity + interest-bearing liabilities)

Performance Targets

(Unit: million yen)

	Fiscal 2016 (Actual)	Fiscal 2017 (Plan)	Fiscal 2018 (Plan)	Fiscal 2019 (Revised in early 2017)
Net sales	**34,347**	45,500	57,000 ~ 58,000	60,000 ~ 62,000
Real estate sales business	**30,687**	42,700	54,900 ~ 55,800	57,800 ~ 59,700
Real estate leasing business	**3,594**	2,600	1,900 ~ 2,000	2,000 ~ 2,100
Real estate planning agency and consulting business	**65**	200	200	200
Operating income	**4,680**	5,700	7,500 ~ 8,500	8,200 ~ 9,500
Ordinary income	**3,575**	4,800	6,500 ~ 7,500	7,200 ~ 8,500

Growth Strategy Under the Second Medium-Term Business Plan

1

Further enhancement of core businesses

ES-CON JAPAN does not want to just expand the for-sale condominium units it sells, a core business, but also to stably supply the market with 500 to 600 units. Under the Second Medium-Term Business Plan, the sale of for-sale condominium units will be completely transferred to an internal sales team by 2019, the last year of the plan. This will be used to further heighten the trust of customers and to keep sales expenses that had been paid to outside vendors in the traditional organization within the internal team to increase profit margins.

2

Heightening corporate value by establishing diverse aspects of multiple core businesses

ES-CON JAPAN will maintain the for-sale condominium business as its main core business but will also newly establish the core businesses of retail development and hotel development. Furthermore, ES-CON JAPAN will diversify real estate development businesses and strive to become a general developer that can take advantage of multiple and overlapping business opportunities through increasing core businesses.

3

Securing long-term and stable stock-based revenues through proactive implementation of the real estate leasing business

ES-CON JAPAN will use the proactive implementation of the real estate leasing business as a means to diversify the real estate products provided and thus reduce price fluctuation risks. Thus ES-CON JAPAN will strive to further heighten the stability of management by owning good-quality assets that deliver stable rental income over the long term. Specifically, ES-CON JAPAN is aiming by the end of Fiscal 2019, the last year of the Second Medium-Term Business Plan, to either own or have begun developing rental assets that can cover all general management costs with their rental income.

4

Expansion of real estate sales business by acting as the main sponsor of a newly-established REIT to steadily supply good quality products

ES-CON JAPAN intends to realize the listing of the investment corporation formed in August 2016 on the Tokyo Stock Exchange as early as possible. ES-CON JAPAN as the main sponsor of the REIT's external growth will steadily supply good-quality properties centering on simple ownership of land beneath retail facilities and thus expand the real estate sales business of ES-CON JAPAN while supporting the sustainable growth of the REIT.

5

Enlarging the breadth and depth of real estate development abilities by enhancing the real estate operations business

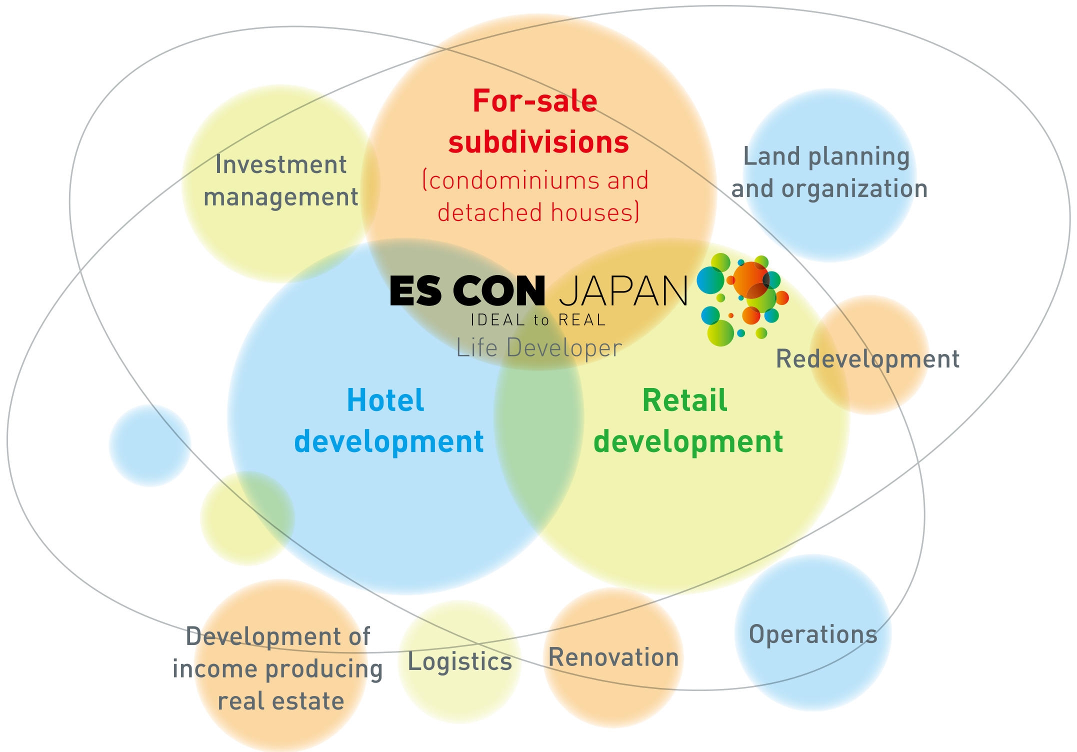
ES-CON JAPAN will strive to become a comprehensive, unique general developer that not only develops real estate but also possesses the operations teams to operate the real estate in the optimal use format. In addition to asset management, i.e. property management of retail facilities, the group companies of ES-CON JAPAN will also proactively operate hotels, run cafes and other dining establishments, manage and operate condominiums and conduct renovations. In this manner, ES-CON JAPAN will optimally realize the maximum value of real estate.

6

Heightening the corporate brand power

ES-CON JAPAN will heighten the corporate brand strength through proactive PR strategies and commit itself to raising the quality of its Le JADE for-sale condominium series. ES-CON JAPAN will heighten the brand recognition of its products by gaining the overwhelming trust and support of its customers through these measures.

Businesses of ES-CON JAPAN



Interview with the President

Takatoshi Ito, President & Representative Director of ES-CON JAPAN, has just come off a robust fiscal year full of eclipsed goals and an upwardly-revised dividend. Now in the midst of ES-CON JAPAN's Second Medium-Term Business Plan, we sat down to talk with the leader.

Q

Your year-on-year performance on a consolidated basis is robust with sales up 24.0%, ordinary profit up 14.4% and net profit up 29.5% in Fiscal 2016 (ended December 2016). Consequently, ES-CON JAPAN also raised its dividend significantly. To what do you attribute this performance?

ES-CON JAPAN just completed its First Medium-Term Business Plan in December. We were able to sell individual condominium units at higher prices than our plan and that was the biggest reason for these strong results. Additionally, the sale of buildings as rental apartments also attained higher prices than we originally planned. These two combined to be the main reason for producing greater than anticipated growth in income and profit. This trend has increased in our first quarter of the new fiscal year with results once again being robust.

In the new Second Medium-Term Business Plan we have committed to a progressive dividend, which we will not reduce. For the fiscal year under review the dividend was raised from 8 to 15 yen. At our present stock price of around 420 yen, the dividend yield is just under 4%, compared to the average of around 2% for first-tier companies on the Tokyo Stock Exchange. The honest truth is we would love to have a higher stock price and we believe our results worthy of that but we are committed to growing the company and returning profits to our shareholders.

Q

How do you perceive the real estate market going forward and what are your projections for the next few years?

We believe the market will continue to do well and our Second Medium-Term Business Plan remains robust. The sale of income properties today is being conducted at high prices with 3% level cap rates. Although this is high, we are still able to secure properties and opportunities where we can develop and sell properties at high returns and make a sizeable profit. The key is to not ignore your business model and secure properties that make sense in your model. We are dedicated to buying properties that first and foremost can be developed as condominiums and still make appropriate levels of income for us. However, if other uses such as apartments, hotels, retail, etc. can make more, we are flexible with what we do. It must be noted that we carefully design our products based on market studies and knowledge of the location of our condominiums and conduct developments that meet those characteristics. This is why we have robust results. Careful planning is the key to our success. The present condition in which acquisition and construction costs are high has created a situation in the condominium business where some products sell and some do not. Ours continue to sell well with little inventory. The market looks favorably on our products because of the care we put into them.

Q ES-CON JAPAN has just completed its First Medium-Term Business Plan. How do you evaluate performance under it?

We formulated our First Medium-Term Business Plan four years ago. We were bold with our projections then and six months into the plan we knew we were doing well. Eighteen months in, we were convinced that our results would be much better than our plan. This is because of the favorable market and our approach to development based on careful study and originality. We believe in our products. Thus, simply put, we are elated with our results but convinced they are due to careful planning as well as our focus on the product and our clientele.

Our multi-directional approach to development is based on a model where we are convinced we will do well with our pillar for-sale condominium product, but possibly even better with other segments. Hotels became a great option because of growing inbound traffic and long-term returns. Rising construction and land costs have meant that sites 10 to 15 minutes from a station, previously ideal for inexpensive condominiums, now require flexibility and our internal planning team has found that we are able to develop strong neighborhood shopping with excellent tenant demand along major thoroughfares and be competitive with housing developers in doing so. Our ability to take advantage of the favorable market and funds from our rights offering during the First Medium-Term Business Plan means I have no real regrets. Furthermore, we have strengthened our company staff from 70 to around 150 and their dedication to learning on the front lines of the industry has created our passion for originality and quality.

Q What are the key points of ES-CON JAPAN's Second Medium-Term Business Plan?

The Second Medium-Term Business Plan can be easily summarized into two points. First, the listing of our new J-REIT. The real estate market is full of peaks and valleys and having a reliable exit for our strong products means these peaks and valleys can be more easily overcome. In other words, listing our J-REIT will solidify our growth pattern. Second, we want our own team to take the lead in condominium sales – our core business. In the present condition of supplying premium products to customers, we need to internalize the team so we can demonstrate our efforts and planning and appeal to our customers. This will increase the efficiency and perception of our Le JADE brand and help it to become a market leader. Each Le JADE property is unique: from the terrace restaurant in our Setagaya Kinuta property, to our new Le JADE product in the exquisite residential area of Tomigaya. Careful

planning of our products means more time and effort goes into each property but customers appreciate this and that appreciation transforms into sales.

We do not want to pursue sales quantity. Our aim is to steadily supply 500 to 600 units of carefully planned for-sale condominiums a year. This emphasis on quality prevents the cookie-cutter approach from taking over and allows us to provide condominiums people want to live in. Following this approach, we are generating a profit margin of over 13% in our base area and this will be complemented by strong performance in our other segments.

Q ES-CON JAPAN has adopted a progressive dividend policy. Are you saying that even in a poor economy you will follow this strategy and, if so, how will you avoid lowering it in an economic downturn?

We are committed to this dividend policy. Right now we have approximately 70 million outstanding stocks. This means at a 15-yen dividend we pay out a little over 1 billion yen. So we need to secure this. However, this is not a difficult goal in our minds because we have not set unattainable targets in our Second Medium-Term Business Plan. This means the properties needed to reach our targets have already been sourced and are in the pipeline. We will need to maintain our dividend even when income drops because we are committed to this goal and are firmly convinced that this is achievable.

Q ES-CON JAPAN established the ES-CON JAPAN REIT Investment Corporation in August 2016 and noted that the J-REIT would specialize in the ownership of land leased to developments and neighborhood shopping centers. What can you tell us about the J-REIT plans?

We are preparing a unique J-REIT. No J-REIT to date has been built on a platform of so-called *soko-chi*, land leased long-term to developments. This approach is based on steady long-term leases and we believe it will generate high dividends for our unitholders. We plan to have 50% of our REIT holdings in such properties and 50% in neighborhood shopping centers. As a result of delaying the listing by one year, we have been able to raise our AUM from 40 billion to 60 billion yen, and create a strong portfolio. We have also been able to secure external growth properties following the listing with a neighborhood shopping center we are building in Nara prefecture and in one other location. Despite the current weak indices and slightly weak J-REIT market, we believe a strong REIT with a good message and product listed with the right team will do very well. We intend to list this REIT within 2017.

Q How are you positioning the development of hotels among your businesses and would you like to build them into a pillar of the company?

Honestly, the pricing of land today forces us to be selective about the projects we work on as land has really become too expensive. Ultimately, the key is location, location, location. We are flexible about what we build in locations so that again the best planned product can be built for that location. However, we will not abandon our business model of acquiring properties that would also work as for-sale condominium sites so our acquisition speed tends to be slower than operators that want a hotel no matter what.

Q What will you focus on for qualitative growth of your business pillars and what balance do you want between development of for-sale condominiums, apartments, hotels and neighborhood shopping centers?

Our qualitative growth is built upon careful planning that is ideal for the locations we find advantageous acquisitions in. Our ideal balance, as outlined in the Second Medium-Term Business Plan, and that we are aiming to achieve from our next fiscal year onwards is 600 for-sale condominium units at sales of around 30 billion yen, around 15 billion yen in sales of neighborhood shopping centers, sales of around 10 billion to 15 billion yen in developed hotels and joining these segments about a year or two later are logistics properties of around 5 billion yen annually. This is a breakdown at which we are confident that we can market products in demand.

Q What is ES-CON JAPAN's social duty and what is your ideal company?

We want to become the developer of choice for customers. We want to create opportunities for people to meet and create communities. Most developers will focus on central Tokyo. We will focus on suburban towns and regions making compact cities and serve these ambitions with neighborhood shopping centers, condominiums and hotels that have character and play vital roles in constructing these compact vibrant communities. We would like to be the one-stop destination for customers desiring this result.

We would also like to supply these good real estate products to our REIT in order to deliver a strong REIT product with excellent quality to investors in the J-REIT market.

Finally we would like to service the growing inbound population with our distinctive manner. We are developing or have developed fifteen hotels to date and we intend to learn from our contracted operators so that we can one day skillfully operate our own hotels in a manner that enables us to become a destination of choice to the inbound and Japanese hotel-users.

Takatoshi Ito

President & Representative Director

Sep. 2001	Joined ES-CON JAPAN
Feb. 2006	Appointed Executive Officer
Mar. 2007	Appointed Managing Director
Mar. 2011	Appointed President & Representative Director (present post)
May 2013	Appointed President & Representative Director at ES-CON PROPERTY (present post)
July 2014	Appointed Director at ES-CON ASSET MANAGEMENT (present post)
Sep. 2016	Appointed Director at ES-CON LIVING SERVICE (present post)

Management: Directors and Auditors

Minoru Nakanishi

Senior Managing Director

Aug. 2011	Joined ES-CON JAPAN
June 2012	Appointed Executive Officer (Head of Finance and Accounting Department)
Mar. 2013	Appointed Director
May 2013	Appointed Director at ES-CON PROPERTY (present post)
Aug. 2013	Appointed Head of Management Division (present post)
July 2014	Appointed Director at ES-CON ASSET MANAGEMENT (present post)
Nov. 2014	Appointed Operating Officer
Mar. 2015	Appointed Executive Director and Managing Executive Officer
Sep. 2016	Appointed Director at ES-CON LIVING SERVICE (present post)
Mar. 2017	Appointed Senior Managing Director (present post)

Tomohiko Egashira

Managing Director

Apr. 2002	Joined ES-CON JAPAN
Jan. 2012	Appointed Head and Corporate Officer of Business Division
July 2012	Appointed Head and Corporate Officer of Tokyo Division
Feb. 2013	Appointed Head and Corporate Officer of Development Division
Mar. 2015	Appointed Director (present post)
Jan. 2016	Appointed Head and Corporate Officer of Development Division
Mar. 2017	Appointed Managing Director (present post)

Keiko Akashi

Director

Sep. 2001	Joined ES-CON JAPAN
Feb. 2005	Appointed Head of Sales Integration Department of Residential Development Division
Mar. 2007	Appointed Head of Business Management Office
Mar. 2010	Appointed Director
Nov. 2010	Appointed Head of Management Department (present post)
Mar. 2011	Appointed Head of Business Management Department
Feb. 2013	Appointed Head of Planning and Sales Department
May 2013	Appointed Director at ES-CON PROPERTY (present post)
Aug. 2013	Appointed Head of Planning and Sales Department
Nov. 2014	Appointed Operating Officer
Mar. 2015	Appointed Executive Director and Managing Executive Officer
Sep. 2016	Appointed President and Representative Director at ES-CON LIVING SERVICE (present post)
Mar. 2017	Appointed Director (present post)

Junya Kikuchi

Director

Mar. 2010	Joined ES-CON JAPAN
	Appointed Director (present post)
Feb. 2013	Appointed Director at NB Construction Co., Ltd. (present post)
Jan. 2014	Appointed Representative director at Integrated Solutions Co., Ltd. (present post)
June 2014	Appointed Representative employee at Hoyu Certified Public Accountant Office (present post)
	Appointed Representative at NB Networks (present post)

Kunio Takahashi

Full-time Auditor [Director]

Apr. 1975	Joined Daiwa Bank, Limited (currently Resona Bank Co., Ltd.)
June 2003	Appointed Executive Officer and Head of Osaka Public Affairs Department at Resona Bank Co., Ltd.
Apr. 2004	Appointed Auditor at Saitama Resona Bank Co., Ltd.
June 2005	Appointed Auditor at Kinki Bank of Osaka Co., Ltd.
June 2010	Appointed Auditor at Nippon Metal Industry Co., Ltd.
Mar. 2013	Appointed Auditor at ES-CON JAPAN
June 2013	Appointed Auditor at Shikibo Co., Ltd.
	Appointed Full-time Auditor
Mar. 2016	Appointed Full-time Auditor [Director] (present post)

Hiroto Mizobata

Auditor [Director]

Apr. 1986	Joined KPMG Asahi Shinwa Accounting, Inc. (currently KPMG AZSA LLC)
Mar. 1988	Registered as certified public accountant
Dec. 1991	Registered as licensed tax accountant
Mar. 1992	Appointed Representative at Mizobata Certified Public Accountant Office (present post)
Mar. 2015	Appointed Auditor at ES-CON JAPAN
Mar. 2016	Appointed Auditor [Director] (present post)

Kotaro Niwa

Auditor [Director]

Oct. 2000	Joined Oshima Partners Law Office as Registered Lawyer
May 2006	Appointed Head at Niwa Partners Law Office
May 2010	Appointed Partner at IPAX Law Office (present post)
Mar. 2011	Appointed Director at ES-CON JAPAN (present post)
Mar. 2016	Appointed Auditor [Director] (present post)

Management Policy

1. **ES-CON JAPAN is committed to realizing the unlimited potential of real estate through its information sourcing, planning and product development ability to create new value that sincerely satisfies customers.**
2. **ES-CON JAPAN is committed to achieving management that is a step more proactive than the competition by implementing work management that has a robust defense based on ROA, cash flow and thorough risk management.**
3. **ES-CON JAPAN is committed to becoming a limited-scale team of professionals that can maintain the ability to respond quickly and maintain flexibility within a rapidly changing society.**
4. **ES-CON JAPAN will maintain and build robust relationships of cooperation by respecting and appreciating competitors at all times whether inside or outside the company.**
5. **ES-CON JAPAN is committed to building a "well-ventilated" bottom-up organization while also building an enhanced internal audit system consciously aware of compliance and governance.**

Direction, Corporate Governance and CSR

Corporate Philosophy
We ask our employees to think daily about how they should live their lives, how they should participate in society, what kind of fruit they will bear society by contributing and, as a result, how the happiness desired by each and every one of us will be attained through these efforts.
Our employees assist and encourage each other to achieve the above goal. ES-CON JAPAN pursues a management that continues to provide fields as steps to self-realization of the unique characteristics pursued by each of our employees.

Corporate Vision
"Life Developer"
ES-CON JAPAN seeks to be a life developer; that is, a company that develops not only the hardware of the condominium itself but also conceptualizes and develops the lives of residents.
This is our goal at ES-CON JAPAN. We are creating "new wealth" that traditional real estate firms cannot achieve with solutions provided by our small cross-organizational teams that overcome the boundaries of divisions. ES-CON JAPAN teams connect people, communities and the future.

Corporate Mission
Development of the "New Norm Neighborhood"
Our teams create, connect and expand values built into local areas. We do not perceive the term "Local" as an antonym to "Urban" but rather as a location where residents are proud of the area where they live.

System of Corporate Governance
ES-CON JAPAN boasts a Board of Auditors and a structure whereby the implementation, management, supervision and auditing of work are overseen by the Board of Directors and Board of Auditors.

(1) The Board of Directors is comprised of eight people: four directors in charge of various operations, one director with a non-operational focus, and three auditors who are also directors. Of these, one shall be a woman, three shall be outside directors, two shall be independent outside directors and the president of the Board shall be the President.

- In principle, the Board holds meetings at least once a month where the management and auditing functions are heightened by vetting and discussing important items on the agenda.
- Speed and flexibility of operations is secured by entrusting directors responsible for operations with related decisions in line with the articles of incorporation. The scope to which operations are entrusted to individual directors is strictly managed in line with monetary and other criteria stipulated by the Board of Directors. Furthermore, the status of vital operations that have been entrusted to the Board shall be reported to the Board of Directors without delay.

(2) Board of Auditors
The Board of Auditors is entirely comprised of outside directors so that the three members can all heighten their management supervisory function and the independence of such. There are two independent outside directors and one full-time auditor.

- In principle, the Board shall meet once a month and the accounting auditor, party in charge of corporate governance, directors in charge of operations and other executives can be instructed to attend the Board meeting by an auditor as needed. The Board shall report its findings in a timely and appropriate manner.
- Auditors shall take steps to ensure they grasp the present status of operations for each division and the issues they face. These steps include regular exchanges of opinion with the President & Representative Director and the interviewing of corporate executives such as directors in charge of operations when necessary.
- The full-time auditor shall participate in divisional meetings attended by directors in charge of operations and executions of each division along with regularly-held management meetings where members are comprised primarily of directors in charge of operations. The participation of the full-time auditor ensures that management conditions and the progress on business plans can be shared.
- The Board shall check important documents like *ringi* circulation documents and other decision-confirmation documents and coordinate with the internal audit division to verify that the implementation of operations by directors is legal and appropriate. The full-time auditor is also nominated to be the lead auditor so that governance is further strengthened.

Corporate Governance
ES-CON JAPAN believes the present system and organization of corporate governance is appropriate because it contributes to the sustainable improvement of corporate value.

1. **Directors who are Members of the Board of Auditors reinforce the auditing functions and execution ability of the Board of Directors by being able to vote on agenda items at Board of Directors' meetings.**
2. **The entrusting of vital operations to directors in charge of operations secures speed, dynamism and flexibility of operations and prevents loss of business opportunities.**
3. **Directors who are also auditors are able to state opinions concerning the nomination and compensation of directors who are not auditors, thus reinforcing the transparency of the process.**

Basic Philosophy of Corporate Governance

The corporate activities of ES-CON JAPAN are supported by a vast group of stakeholders including customers, shareholders and vendors. ES-CON JAPAN believes that corporate governance is a key theme for enhancing its trust and reputation among its shareholders and pledges to continue efforts to heighten its governance. In addition to naturally pursuing the fulfillment of legally required functions related to the Boards of Directors and Auditors, ES-CON JAPAN will fulfill its social responsibilities by endeavoring to also improve the efficiency and transparency of corporate management by conducting external and internal audits on a regular basis.

Thorough Implementation of Compliance

This shall be implemented and achieved by committing to company-wide compliance with the department responsible for compliance cooperating with each internal department under the instruction of the officer responsible for compliance. ES-CON JAPAN has summarized its Code of Conduct under a Compliance Activity Standard, Compliance Manual and Compliance Rules as the organization for realizing its commitment to compliance. The Code of Conduct designates the activities to be conducted by officers and employees to comply with laws, regulations and social norms based on due diligence regarding the Corporate Ethics Charter that declares the implementation of corporate ethics and corporate social responsibilities.

Implementation of CSR Activities

ES-CON JAPAN emphasizes the development and design of real estate properties that take into consideration the global environment by constantly thinking of the environmental load generated by business activities. ES-CON JAPAN implements various measures in each property that consider the environment including installing disposers that reduce raw garbage, installing water-conserving toilets that reduce the volume of water used by 50%, and the use of thermal baths with high humidifying effects. ES-CON JAPAN is committed to the proactive building of "resource-conserving housing" that reduces the environmental load so that we can build a better future.

Company Overview: ES-CON JAPAN Ltd.

Tokyo Head Office
Try Edge Ochanomizu Building 12F
4-2-5 Kanda Surugadai
Chiyoda-ku, Tokyo 101-0062

Osaka Head Office
Meiji Yasuda Seimei Osaka Midosuji Building 13F
4-1-1 Fushimi-machi
Chuo-ku, Osaka 541-0044

Established: April 18, 1995
Paid-in Capital: 6,068,642,518 yen (as of May 2017)
Sales: 34,347 million yen (consolidated results for Fiscal 2016)
Number of Employees: 125 (consolidated, Fiscal 2016), 91 (non-consolidated, Fiscal 2016)
Businesses: Real estate development, sales, leasing, brokering, etc.

Financial Section

The Management Discussion and Analysis, Financial Statements and Notes to Financial Statements contained in this report are outside the scope of the auditing procedures under the Financial Instruments and Exchange Act of Japan, and have not been audited. However, the original financial data and descriptions in Japanese used as the base for the translation of this English version have been audited.

Management Discussion and Analysis

Overview

In the consolidated fiscal year under review (fiscal year ended December 2016), the Japanese economy showed potential to continue a moderate recovery due in part to the government's various economic measures amid ongoing improvement in the employment and income situation. However, the outlook was also unclear due in part to the slowdown in overseas economies, the effects of fluctuations in financial and capital markets and the U.S. political transition.

The real estate industry, in which the ES-CON JAPAN Group operates, held firm due in part to low interest rates from monetary easing policies, but factors including the rise in land prices and the intensification of competition for land acquisitions created a situation that does not warrant optimism.

In the business environment described above, in the real estate sales business, which is our core business, revenue-generating real estate sales, land planning and sales, etc. were conducted, and steady progress was also made in condominium sales. In the real estate leasing business, efforts are being made to secure stable rental income from and enhance asset value of retail properties held by ES-CON JAPAN.

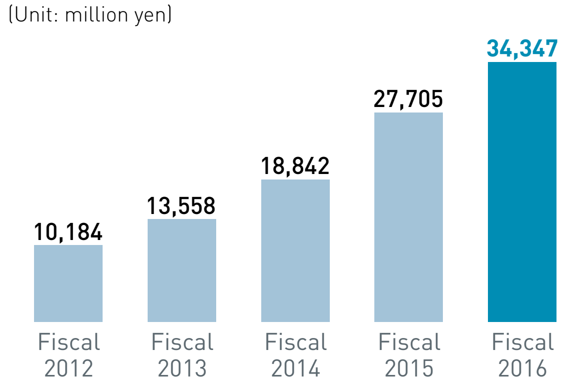
In the real estate planning agency and consulting business, focus is being placed on achieving high profit margins through subcontracting, planning agency and consulting and other non-asset products by leveraging the planning and other strengths of ES-CON JAPAN.

Operating Results

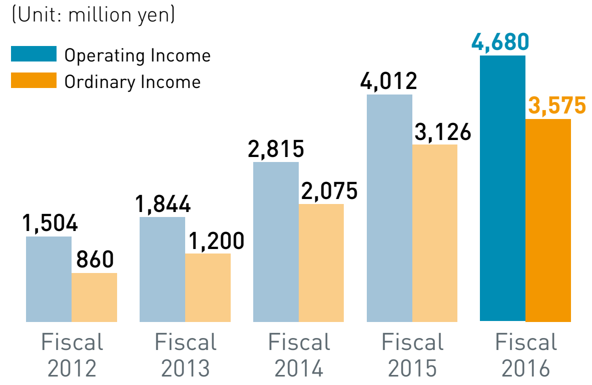
Business performance for the fiscal year ended December 2016 included net sales of 34,347 million yen (up 24.0% compared with the previous fiscal year), operating income of 4,680 million yen (up 16.6% compared with the previous fiscal year), ordinary income of 3,575 million yen (up 14.4% compared with the previous fiscal year) and profit attributable to owners of parent of 3,936 million yen (up 29.5% compared with the previous fiscal year).

Moreover, under the Medium-Term Business Plan "Make the One for 2016" for the four-year period from the fiscal year ended December 2013 to the fiscal year ended December 2016, the abovementioned commercial development business, hotel development business and other new business operations, as well as shifting away from a concentration on the condominium sales business, led to greater evolution and growth as a general real estate developer than planned and led to achieving almost all management and performance targets.

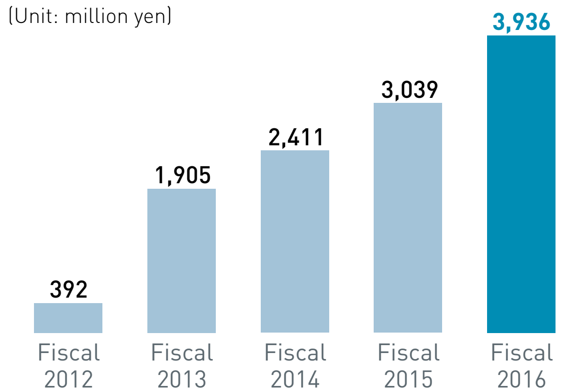
Sales



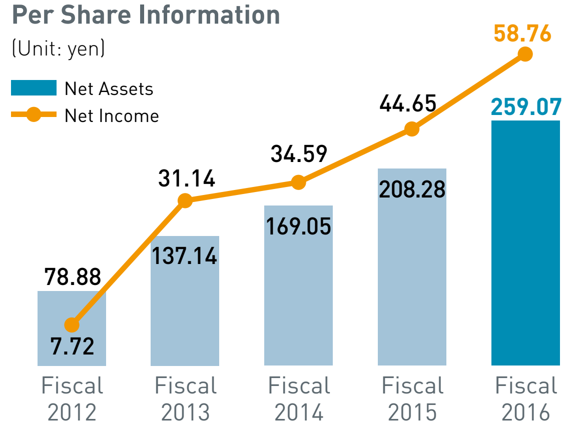
Operating Income/Ordinary Income



Net Income Attributable to Parent



Per Share Information



Results by Segment

Real estate sales business

In the real estate sales business, activities included promoting condominium sales and selling real estate for sale and real estate for sale in process, resulting in net sales of 30,687 million yen (up 24.5% compared with the previous fiscal year) and segment income of 4,798 million yen (up 27.3% compared with the previous fiscal year).

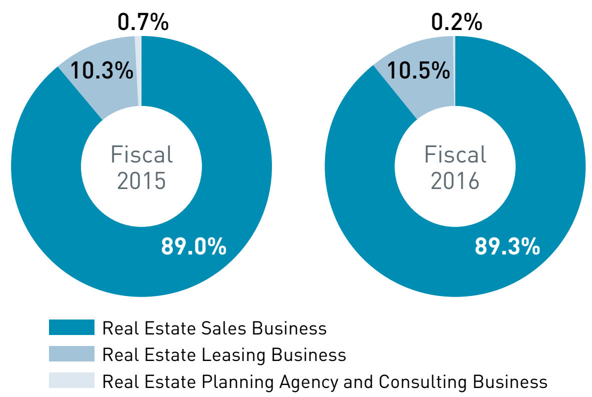
Real estate leasing business

In the real estate leasing business, focus was placed on leasing activities and the property management business in view of enhancement of asset value, including increase in rental income of owned revenue-generating real estate, resulting in net sales of 3,594 million yen (up 25.8% compared with the previous fiscal year) and segment income of 2,058 million yen (up 28.1% compared with the previous fiscal year).

Real estate planning agency and consulting business

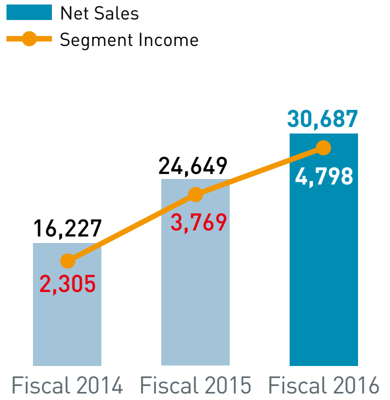
In the real estate planning agency and consulting business, although proactive efforts were made in such

Sales Distribution Ratio by Segment

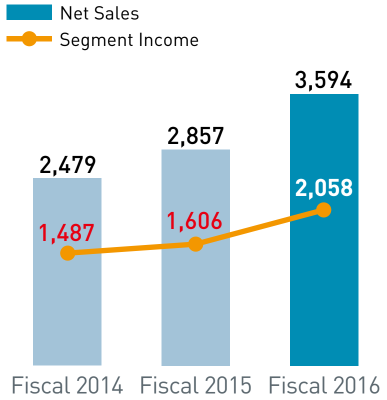


aspects as entrustment with planning, consulting and other services by making best use of planning and multi-faceted business building abilities, the result was net sales of 65 million yen (down 67.3% compared with the previous fiscal year) and segment income of 65 million yen (down 62.5% compared with the previous fiscal year).

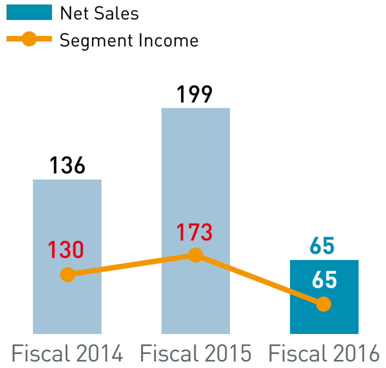
Real Estate Sales Business
(Unit: million yen)



Real Estate Leasing Business
(Unit: million yen)



Real Estate Planning Agency and Consulting Business
(Unit: million yen)



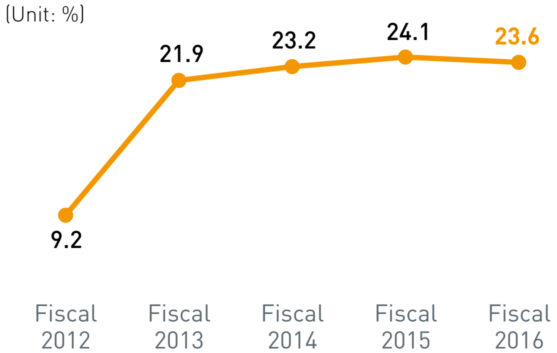
Analysis of Financial Position

The consolidated financial data represents a robust year that further strengthens the soundness of ES-CON JAPAN as well as the entire consolidated group. Proactive business led our equity ratio to fall slightly to 23.6% but that was more than offset by our cash and deposits increasing 81.7% year-on-year.

Assets, Liabilities and Net Assets

Assets at the end of the fiscal year ended December 2016 increased by 15,614 million yen compared with the end of the previous fiscal year to 73,703 million yen. This was mainly attributable to cash and deposits increasing by 3,687 million yen, inventories increasing by 17,468 million yen and deferred tax assets increasing by 1,548 million yen, and property, plant and equipment decreasing by 8,700 million yen.
Liabilities increased by 12,245 million yen compared with the end of the previous fiscal year to 56,339 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 11,304 million yen.
Net assets increased by 3,369 million yen compared with the end of the previous fiscal year to 17,363 million yen. This was mainly attributable to recording profit of 3,936 million yen.

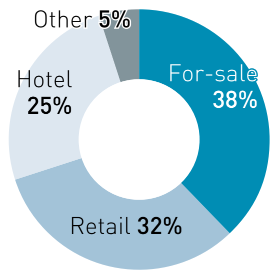
Equity Ratio
(Unit: %)



Rent-Producing Assets

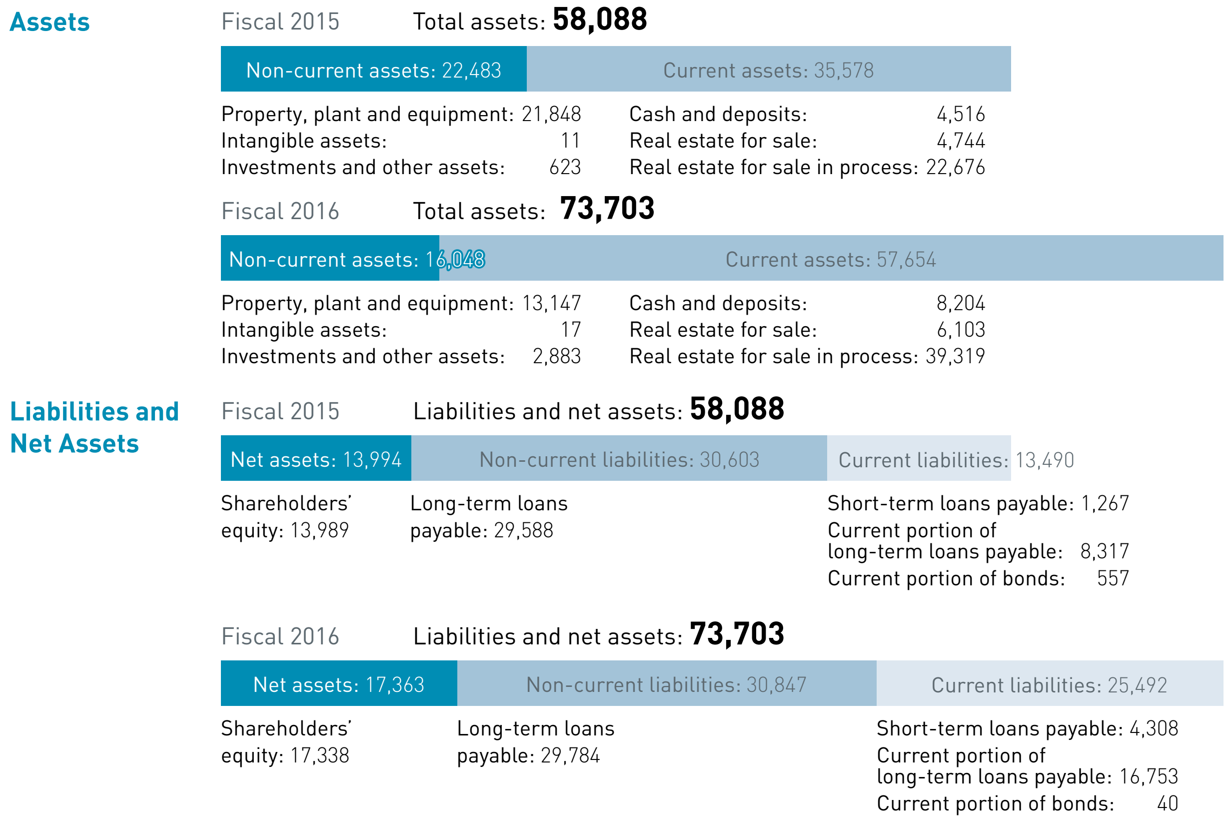
NOI of owned income-producing real estate: Cap rate of about 6.7%

Assets by Segment



Inventory assets
45.4 billion yen

Overview of Consolidated Balance Sheet (Unit: million yen)



Status of Cash Flows

Cash and cash equivalents ("net cash") in the fiscal year ended December 2016 increased by 3,976 million yen compared with the end of the previous fiscal year to 8,191 million yen (4,214 million yen at the end of the previous fiscal year). The following outlines the cash flows and the factors of changes in cash flows in the fiscal year ended December 2016.

Cash flows from operating activities
Cash flows from operating activities in the fiscal year ended December 2016 amounted to net cash used in operating activities of 14,684 million yen (net cash used in operating activities of 3,877 million yen in the previous fiscal year). This was mainly attributable to recording profit before income taxes of 2,628 million yen, impairment loss (non-cash expense) of 1,042 million yen and increase in inventories of 17,033 million yen.

Cash flows from investing activities
Cash flows from investing activities in the fiscal year ended December 2016 amounted to net cash provided by investing activities of 7,656 million yen (net cash provided by investing activities of 61 million yen in the previous fiscal year). This was mainly attributable to sales of non-current assets amounting to net proceeds of 7,343 million yen.

Cash flows from financing activities
Cash flows from financing activities in the fiscal year ended December 2016 amounted to net cash provided by financing activities of 11,003 million yen (net cash provided by financing activities of 3,683 million yen in the previous fiscal year). This was mainly attributable to proceeds from and repayments of long-term loans payable and short-term loans payable amounting to net proceeds of 11,672 million yen, purchase of treasury shares of 54 million yen and cash dividends paid of 541 million yen.

Consolidated Balance Sheet

(Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
Assets		
Current assets		
Cash and deposits	4,516	**8,204**
Notes and accounts receivable - trade	85	**285**
Operational investment securities	547	**—**
Real estate for sale	4,744	**6,103**
Real estate for sale in process	22,676	**39,319**
Deferred tax assets	702	**127**
Other	2,304	**3,687**
Allowance for doubtful accounts	—	**(73)**
Total current assets	35,578	**57,654**
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,391	**5,351**
Accumulated depreciation	(1,445)	**(1,614)**
Buildings and structures, net	3,946	**3,737**
Land	17,864	**9,320**
Leased assets	13	**18**
Accumulated depreciation	(4)	**(8)**
Leased assets, net	8	**9**
Construction in progress	3	**—**
Other	90	**158**
Accumulated depreciation	(65)	**(77)**
Other, net	25	**80**
Total property, plant and equipment	21,848	**13,147**
Intangible assets		
Other	11	**17**
Total intangible assets	11	**17**
Investments and other assets		
Investment securities	147	**226**
Deferred tax assets	3	**2,127**
Other	476	**533**
Allowance for doubtful accounts	(2)	**(4)**
Total investments and other assets	623	**2,883**
Total non-current assets	22,483	**16,048**
Deferred assets		
Share issuance cost	26	**—**
Total deferred assets	26	**—**
Total assets	58,088	**73,703**

(Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
Liabilities		
Current liabilities		
Short-term loans payable	1,267	**4,308**
Current portion of long-term loans payable	8,317	**16,753**
Current portion of bonds	557	**40**
Lease obligations	3	**4**
Accounts payable - other	963	**1,087**
Income taxes payable	84	**69**
Advances received	1,345	**1,357**
Asset retirement obligations	3	**—**
Other	947	**1,871**
Total current liabilities	13,490	**25,492**
Non-current liabilities		
Bonds payable	—	**150**
Long-term loans payable	29,588	**29,784**
Lease obligations	4	**4**
Provision for directors' share-based benefits	29	**54**
Provision for share-based benefits	5	**13**
Asset retirement obligations	82	**83**
Other	892	**757**
Total non-current liabilities	30,603	**30,847**
Total liabilities	44,094	**56,339**
Net assets		
Shareholders' equity		
Capital stock	6,029	**6,034**
Capital surplus	1,758	**1,763**
Retained earnings	7,024	**10,417**
Treasury shares	(821)	**(876)**
Total shareholders' equity	13,989	**17,338**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	—	**22**
Total accumulated other comprehensive income	—	**22**
Subscription rights to shares	4	**3**
Total net assets	13,994	**17,363**
Total liabilities and net assets	58,088	**73,703**

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Net sales	27,705	**34,347**
Cost of sales	21,015	**25,494**
Gross profit	6,690	**8,852**
Selling, general and administrative expenses		
Advertising expenses	722	**1,369**
Sales commission	437	**655**
Directors' compensations	157	**172**
Salaries and allowances	546	**758**
Provision for directors' share-based benefits	29	**24**
Provision for share-based benefits	5	**7**
Commission fee	146	**199**
Taxes and dues	140	**404**
Other	491	**580**
Total selling, general and administrative expenses	2,677	**4,172**
Operating income	4,012	**4,680**
Non-operating income		
Interest income	0	**0**
Dividend income	0	**1**
Cancellation income	18	**8**
Other	0	**1**
Total non-operating income	21	**11**
Non-operating expenses		
Interest expenses	795	**999**
Share issuance cost	53	**26**
Other	58	**90**
Total non-operating expenses	907	**1,116**
Ordinary income	3,126	**3,575**
Extraordinary income		
Gain on sales of non-current assets	—	**172**
Gain on reversal of subscription rights to shares	0	**0**
Total extraordinary income	0	**172**
Extraordinary losses		
Loss on sales of non-current assets	—	**36**
Loss on retirement of non-current assets	0	**0**
Impairment loss	7	**1,042**
Loss on valuation of investment securities	—	**42**
Total extraordinary losses	7	**1,120**
Profit before income taxes	3,119	**2,628**
Income taxes - current	126	**240**
Income taxes - deferred	(46)	**(1,548)**
Total income taxes	79	**(1,308)**
Profit	3,039	**3,936**
Profit attributable to owners of parent	3,039	**3,936**

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Profit	3,039	**3,936**
Other comprehensive income		
Valuation difference on available-for-sale securities, before tax	—	**22**
Total other comprehensive income	—	**22**
Comprehensive income	3,039	**3,958**
Comprehensive income attributable to owners of parent	3,039	**3,958**
Comprehensive income attributable to non-controlling interests	—	**—**

Consolidated Statement of Changes in Equity

Fiscal year ended December 2015 (from January 1, 2015 to December 31, 2015)

(Unit: million yen)

	Shareholders' equity					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	6,019	1,748	4,192	(311)	11,648	8	11,656
Changes of items during period							
Issuance of new shares	9	9			19		19
Dividends of surplus			(206)		(206)		(206)
Profit attributable to owners of parent			3,039		3,039		3,039
Purchase of treasury shares				(509)	(509)		(509)
Net changes of items other than shareholders' equity						(4)	(4)
Total changes of items during period	9	9	2,832	(509)	2,341	(4)	2,337
Balance at end of current period	6,029	1,758	7,024	(821)	13,989	4	13,994

Fiscal year ended December 2016 (from January 1, 2016 to December 31, 2016)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	**6,029**	**1,758**	**7,024**	**(821)**	**13,989**	**—**	**—**	**4**	**13,994**
Changes of items during period									
Issuance of new shares	**5**	**5**			**10**				**10**
Dividends of surplus			**(543)**		**(543)**				**(543)**
Profit attributable to owners of parent			**3,936**		**3,936**				**3,936**
Purchase of treasury shares				**(54)**	**(54)**				**(54)**
Disposal of treasury shares				**0**	**0**				**0**
Net changes of items other than shareholders' equity						**22**	**22**	**(1)**	**21**
Total changes of items during period	**5**	**5**	**3,392**	**(54)**	**3,348**	**22**	**22**	**(1)**	**3,369**
Balance at end of current period	**6,034**	**1,763**	**10,417**	**(876)**	**17,338**	**22**	**22**	**3**	**17,363**

Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Cash flows from operating activities		
Profit before income taxes	3,119	2,628
Depreciation	264	229
Impairment loss	7	1,042
Increase (decrease) in allowance for doubtful accounts	0	74
Increase (decrease) in provision for directors' share-based benefits	29	24
Increase (decrease) in provision for share-based benefits	5	7
Interest and dividend income	(1)	(1)
Interest expenses	795	999
Share issuance cost	53	26
Loss (gain) on sales of non-current assets	—	(136)
Loss on retirement of non-current assets	0	0
Loss (gain) on valuation of investment securities	—	42
Decrease (increase) in notes and accounts receivable - trade	(35)	(200)
Decrease (increase) in inventories	(7,366)	(17,033)
Decrease (increase) in prepaid expenses	(433)	199
Increase (decrease) in accounts payable - other	549	162
Decrease/increase in consumption taxes receivable/payable	17	(385)
Increase (decrease) in advances received	524	11
Increase (decrease) in deposits received	(132)	258
Decrease (increase) in other assets	(407)	(1,462)
Increase (decrease) in other liabilities	(2)	165
Subtotal	(3,013)	(13,349)
Interest and dividend income received	1	1
Interest expenses paid	(836)	(1,060)
Income taxes (paid) refund	(28)	(275)
Net cash provided by (used in) operating activities	(3,877)	(14,684)
Cash flows from investing activities		
Payments into time deposits	(18)	(18)
Proceeds from withdrawal of time deposits	24	18
Purchase of investment securities	(60)	(110)
Proceeds from withdrawal of investment securities	30	10
Purchase of non-current assets	(73)	(223)
Proceeds from sales of non-current assets	23	7,343
Payments for asset retirement obligations	—	(3)
Collection of loans receivable	1	0
Proceeds from guarantee deposits received	338	1,120
Repayments of guarantee deposits received	(204)	(440)
Payments for investments in capital	—	(41)
Net cash provided by (used in) investing activities	61	7,656
Cash flows from financing activities		
Increase in short-term loans payable	1,921	11,887
Decrease in short-term loans payable	(2,833)	(8,846)
Proceeds from long-term loans payable	17,692	28,915
Repayments of long-term loans payable	(11,918)	(20,284)
Proceeds from issuance of bonds	—	200
Redemption of bonds	(557)	(567)
Repayments of lease obligations	(3)	(4)
Repayments of installment payables	—	(2)
Proceeds from issuance of common shares	15	9
Purchase of treasury shares	(509)	(54)
Cash dividends paid	(205)	(541)
Proceeds from release of deposits as collateral	83	293
Net cash provided by (used in) financing activities	3,683	11,003
Net increase (decrease) in cash and cash equivalents	(132)	3,976
Cash and cash equivalents at beginning of period	4,347	4,214
Cash and cash equivalents at end of period	4,214	8,191

Notes to Financial Statements

1. Organization

ES-CON JAPAN Ltd. (ES-CON JAPAN or the Company) is a Japanese real estate company established in 1995. It conducts planning, development and sales of for-sale condominiums, retail facilities and other properties; leasing of owned properties; property management services; for-sale condominium management services; consignment, planning, brokerage and consulting services for real estate-related matters; and real estate investment advisory services. ES-CON JAPAN was listed on the second tier of the Tokyo Stock Exchange in 2015, and successfully rose to the first tier in June 2016.

2. Basis of Presentation

The accompanying consolidated financial statements of ES-CON JAPAN and its consolidated subsidiaries (the "Group") are a translation of the financial statements that have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The Company's accounting period is a twelve-month period, which ends at the end of December each year. Unless otherwise specified, amounts have been rounded down to the nearest thousand yen in the accompanying financial statements and the notes thereto. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

3. Summary of Significant Accounting Policies

(1) Consolidation

The Company has seven consolidated subsidiaries as of December 31, 2016, as follows:

ES-CON PROPERTY Co., Ltd.
ES-CON ASSET MANAGEMENT Co., Ltd.
ES-CON LIVING SERVICE Ltd.
ES-CON JAPAN REIT Investment Corporation
E-STATE Co., Ltd.
Pro Net ES-CON Eight, Ltd.
Aries Investment Two, LLC.

ES-CON LIVING SERVICE Ltd. and ES-CON JAPAN REIT Investment Corporation were newly established in the fiscal year ended December 31, 2016, and were included in the scope of consolidation.

(2) Valuation standard and method for significant assets

1) Securities

Other securities

Securities with fair value are stated using the market price method based on the market price, etc. at the end of the fiscal year (valuation difference is directly charged to shareholders' equity, and selling costs are calculated by using the moving-average method).

Securities without fair value are stated by the cost method using the moving-average method.
However, silent partnership and limited liability partnership equity interests are stated at their net asset value. As for income and loses from silent partnership and limited liability partnership equity interests, the net amount of income or losses equivalent to the equity interests are recorded as net sales or cost of sales, respectively, with the relevant operational investment securities and investment securities set as corresponding accounts.

2) Inventories
Real estate for sale is stated using the cost method (the value on the balance sheet is calculated using the method of reducing book value due to a decline in profitability).
Real estate for sale in process is stated using the cost method at net asset value (the value on the balance sheet is calculated by using the method of reducing book value due to a decline in profitability).

(3) Depreciation method for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)
The declining-balance method is applied.
However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.

2) Intangible assets (excluding leased assets)
Software for internal use is amortized using the straight-line method over the useful lives (5 years) estimated by the Company.
Trademarks are amortized using the straight-line method over 10 years.

3) Leased assets
For finance leases without any transfer of ownership of leased assets, the straight-line method is adopted with a residual value of zero, deeming the lease period to be equal to the useful lives of the assets.

(4) Standards for recording significant allowances

1) Allowance for doubtful accounts
To prepare for expected losses from bad debts, such as notes and accounts receivable – trade and loans receivable, the Company records estimated uncollectible amounts based on the historical loan loss ratio for general accounts receivable, and by considering individual collectibility for certain specific receivables such as doubtful accounts receivables.

2) Provision for directors' share-based benefits
To prepare for granting the Company's shares to its directors based on its share-based benefit rules for directors, the Company records estimated amount of share-based benefit obligations as of the end of the consolidated fiscal year as a provision.

3) Provision for share-based benefits
To prepare for granting the Company's shares to its employees based on its share-based benefit rules, the Company records estimated amount of share-based benefit obligations as of the end of the consolidated fiscal year as a provision.

(5) Scope of funds in the consolidated statement of cash flows

The funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of changes in value.

(6) Other significant items fundamental to preparing the financial statements

1) Accounting for deferred assets
Share issuance cost is amortized by the straight-line method over 3 years.

2) Accounting for consumption taxes
Consumption taxes are excluded from the transaction amounts. Non-deductible consumption taxes are recorded as expenses for the relevant consolidated fiscal year.

[Changes in Accounting Policies]

Application of Accounting Standard for Business Combinations, Etc.

"Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21; September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22; September 13, 2013), "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7; September 13, 2013), etc. are applied, starting from the fiscal year ended December 2016. Accordingly, the presentation of net income, etc. has been changed, and the presentation has been changed from minority interests to non-controlling interests. To reflect the changes in presentation, the consolidated financial statements for the fiscal year ended December 2015 have been restated.

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

In line with amendment of the Corporation Tax Act, "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (Practical Issues Task Force (PITF) No. 32; June 17, 2016) is applied, starting from the fiscal year ended December 2016. Accordingly, the depreciation method has been changed from the declining-balance method to the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016. As a result, operating income, ordinary income and profit before income taxes for the fiscal year ended December 2016 each increased by 3 million yen.

[Additional Information]

Implementation Guidance on Recoverability of Deferred Tax Assets

"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26; March 28, 2016) can be applied, starting from the consolidated financial statements for the end of the fiscal year ended December 2016, and is thus applied, starting from the fiscal year ended December 2016.

4. Notes to Consolidated Balance Sheet

(1) Pledged assets and secured debts

Assets provided as collateral are as follows: (Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)		Fiscal 2016 (as of December 31, 2016)	
Cash and deposits	293	(293)	—	(—)
Real estate for sale	4,669	(—)	5,396	(—)
Real estate for sale in process	22,265	(—)	38,615	(—)
Buildings and structures	3,594	(—)	3,506	(—)
Land	17,864	(7,635)	9,320	(—)
Total	48,688	(7,928)	56,839	(—)

(Note) In the above table, figures in parentheses indicate the assets provided as collateral for non-recourse debt.

Debts secured by the above assets provided as collateral are as follows: (Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)		Fiscal 2016 (as of December 31, 2016)	
Short-term loans payable	1,067	(—)	3,051	(—)
Current portion of long-term loans payable	8,144	(—)	16,468	(—)
Long-term loans payable	28,313	(2,700)	28,848	(—)
Total	37,524	(2,700)	48,368	(—)

(Note) In the above table, figures in parentheses indicate non-recourse debt.

5. Notes to Consolidated Statement of Income

(1) The reduction of book value of inventories, held for sale in the ordinary course of business, due to a decline in profitability is as follows:

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Cost of sales	88	6

(2) Breakdown of gain on sales of non-current assets is as follows:

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Land	—	172

(3) Breakdown of loss on sales of non-current assets is as follows:

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Land	—	36

(4) Breakdown of loss on retirement of non-current assets is as follows:

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Buildings and structures	—	0
Property, plant and equipment (Other)	0	0
Total	0	0

(5) Impairment loss

In the fiscal year ended December 31, 2016, the ES-CON JAPAN Group realized impairment loss on the following asset groups.

(Unit: million yen)

Location	Use	Type	Impairment loss
Suita City, Osaka	Rental real estate	Building and land	1,033
Kawanishi City, Hyogo	Eatery business facilities	Facilities attached to buildings	8
Total			1,042

(Note) The ES-CON JAPAN Group classifies its individual properties into asset groups as minimum units for generating cash flows.
For the asset groups where profitability dropped significantly as the Company's policy is to sell rental real estate owned by its consolidated subsidiaries for the purpose of further enhancing asset efficiency and its financial standing, among other factors, the ES-CON JAPAN Group reduced the book value of the relevant asset groups to net realizable value and recorded the reduced amount (1,042 million yen) as impairment loss.
Breakdown of the impairment loss consists of 1,033 million yen (124 million yen for the building and 909 million yen for the land) in Suita City, Osaka and 8 million yen (8 million yen for facilities attached to buildings) in Kawanishi City, Hyogo.
Furthermore, the collectible amount of the relevant asset groups is measured by using net sales value, which is calculated by using the estimated sales value for buildings and lands and setting the value of the facilities attached to buildings at zero because no sale is anticipated.

6. Notes to Consolidated Statement of Comprehensive Income

Not applicable

7. Notes to Consolidated Statement of Changes in Equity

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(1) Type and Number of Shares Issued and Outstanding and Type and Number of Treasury Shares

	Number of shares at beginning of Fiscal 2015	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at end of Fiscal 2015
Issued shares				
Common shares	70,317,887	194,000	—	70,511,887
Total	70,317,887	194,000	—	70,511,887
Treasury shares				
Common shares	1,413,500	1,928,500	—	3,342,000
Total	1,413,500	1,928,500	—	3,342,000

(Notes) 1. The increase in the number of common shares issued and outstanding (194,000 shares) is due to exercise of subscription rights to shares.

2. The increase in the number of treasury shares in common shares is due to an increase of 554,200 shares through acquisition based on the trust agreement for the share-based payment benefits trust for directors, an increase of 235,400 shares through acquisition based on the trust agreement for the share-based payment benefits type ESOP trust, and an increase of 1,138,900 shares through acquisition of treasury shares based on the resolution by the Board of Directors.
3. The number of treasury shares in common shares includes the Company's shares owned by the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (the share-based payment benefits trust for directors: 0 shares at the beginning of Fiscal 2015 and 554,200 shares at the end of Fiscal 2015; the share-based payment benefits type ESOP trust: 0 shares at the beginning of Fiscal 2015 and 235,400 shares at the end of Fiscal 2015).

(2) Subscription Rights to Shares and Subscription Rights to Treasury Shares

Category	Breakdown of subscription rights to shares	Type of shares subject to subscription rights	Number of shares subject to subscription rights (shares)				Balance at end of Fiscal 2015 (million yen)
			Beginning of Fiscal 2015	Increase during the fiscal year	Decrease during the fiscal year	End of Fiscal 2015	
Reporting company (parent company)	Fifth offer of subscription rights to shares (Note)	Common shares	3,395,000	—	75,000	3,320,000	3
	Subscription rights to shares as stock option	—	—	—	—	—	0
Total		—	3,395,000	—	75,000	3,320,000	4

(Note) The decrease in the fifth offer of subscription rights to shares in Fiscal 2015 (75,000 shares) comprises a decrease of 60,000 shares through exercise of subscription rights to shares and a decrease of 15,000 shares due to expiry of subscription rights to shares.

(3) Dividends

1) Dividends paid

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 20, 2015 Annual General Meeting of Shareholders	Common shares	206	3.00	December 31, 2014	March 23, 2015

2) Dividends for which the record date was within the fiscal year but the effective date for the dividends was in the following fiscal year

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
March 25, 2016 Annual General Meeting of Shareholders	Common shares	543	Retained earnings	8.00	December 31, 2015	March 28, 2016

(Note) The total amount of dividends includes 4 million yen of dividends allocated to the Company's shares owned by the share-based payment benefits trust for directors and 1 million yen of dividends allocated to the Company's shares owned by the share-based payment benefits type ESOP trust.

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(1) Type and Number of Shares Issued and Outstanding and Type and Number of Treasury Shares

	Number of shares at beginning of Fiscal 2016	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at end of Fiscal 2016
Issued shares				
Common shares	70,511,887	83,000	—	70,594,887
Total	70,511,887	83,000	—	70,594,887
Treasury shares				
Common shares	3,342,000	241,700	100	3,583,600
Total	3,342,000	241,700	100	3,583,600

(Notes) 1. The increase in the number of common shares issued and outstanding (83,000 shares) is due to exercise of subscription rights to shares.
2. The increase in the number of treasury shares in common shares (241,700 shares) is due to acquisition of treasury shares based on the resolution by the Board of Directors.
3. The decrease in the number of treasury shares in common shares (100 shares) is due to provision of shares to the qualifying employees by the share-based payment benefits type ESOP trust.
4. The number of treasury shares in common shares includes the Company's shares owned by the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (the share-based payment benefits trust for directors: 554,200 shares at the beginning of Fiscal 2016 and 554,200 shares at the end of Fiscal 2016; the share-based payment benefits type ESOP trust: 235,400 shares at the beginning of Fiscal 2016 and 235,300 shares at the end of Fiscal 2016).

(2) Subscription Rights to Shares and Subscription Rights to Treasury Shares

Category	Breakdown of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)				Balance at end of Fiscal 2016 (million yen)
			Beginning of Fiscal 2016	Increase during the fiscal year	Decrease during the fiscal year	End of Fiscal 2016	
Reporting company (parent company)	Fifth offer of subscription rights to shares (Note)	Common shares	3,320,000	—	153,000	3,167,000	3
Total		—	3,320,000	—	153,000	3,167,000	3

(Note) The decrease in the fifth offer of subscription rights to shares in Fiscal 2016 (153,000 shares) comprises a decrease of 54,000 shares due to the exercise of subscription rights to shares and a decrease of 99,000 shares due to the expiry of subscription rights to shares.

(3) Dividends

1) Dividends paid

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 25, 2016 Annual General Meeting of Shareholders	Common shares	543	8.00	December 31, 2015	March 28, 2016

(Note) The total amount of dividends includes 4 million yen of dividends to the Company's shares owned by the share-based payment benefits trust for directors and 1 million yen of dividends to the Company's shares owned by the share-based payment benefits type ESOP trust.

2) Dividends for which the record date was within the fiscal year but the effective date for the dividends was in the following fiscal year

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
March 24, 2017 Annual General Meeting of Shareholders	Common shares	1,017	Retained earnings	15.00	December 31, 2016	March 27, 2017

(Note) The total amount of dividends includes 8 million yen of dividends to the Company's shares owned by the share-based payment benefits trust for directors and 3 million yen of dividends to the Company's shares owned by the share-based payment benefits type ESOP trust.

8. Notes to Consolidated Statement of Cash Flows

(1) Relationship between the year-end balance of cash and cash equivalents and the amounts of accounts on the consolidated balance sheet

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Cash and deposits	4,516	8,204
Time deposits with maturities of more than 3 months	(3)	(3)
Deposits pledged as collateral	(293)	—
Deposits of share-based payment benefits trust	(5)	(10)
Cash and cash equivalents	4,214	8,191

9. Lease Transactions

(Lessee)

(1) Finance Lease Transactions

Finance lease transactions without any transfer of ownership of leased assets

1) Leased assets

Property, plant and equipment

Consists of vehicles, etc.

2) Depreciation method for leased assets

As described in 3. Summary of Significant Accounting Policies, (3) Depreciation method for significant depreciable assets

(2) Operating Lease Transactions

Unearned lease payments for non-cancellable operating lease transactions (Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
Due within one year	128	74
Due after one year	532	458
Total	661	532

(Lessor)

(1) Operating Lease Transactions

Unearned lease payments for non-cancellable operating lease transactions (Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
Due within one year	1,192	1,099
Due after one year	6,481	3,937
Total	7,673	5,036

10. Financial Instruments

(1) Conditions of Financial Instruments

1) Policy for financial instruments

The ES-CON JAPAN Group manages funds only through short-term deposits, etc., and procures funds mainly through borrowing from banks and other financial institutions.

2) Description of financial instruments and associated risks, and risk management structure

Among operating receivables, notes and accounts receivable – trade are exposed to customer credit risks. The Company averts such risks by receiving guarantee deposits for part of them. Moreover, in terms of these risks, it conducts credit control and account balance management for respective customers in accordance with the internal rules of the ES-CON JAPAN Group, and works to early identify and mitigate concerns about accounts becoming uncollectible due to such factors as worsening of financial conditions at its business customers.

Among operating payables, accounts payable – other are to be fully paid within one year.

Among loans and bonds payable, short-term loans payable and bonds payable are procured mainly as working capital, and long-term loans payable are procured mainly for funding real estate development projects. While loans are exposed to liquidity risks related to fund procurement, the ES-CON JAPAN Group manages risks through such measures as preparing funding plans on a monthly basis.

3) Supplementary explanation on fair value, etc. of financial instruments

The fair value of financial instruments, aside from values based on market price, includes values based on reasonable calculations when there is no market price. Certain variable factors are adopted in calculating those values, and there may be cases where the values will vary when different assumptions, etc. are adopted.

(2) Fair Value, Etc. of Financial Instruments

The following table shows the book values on the consolidated balance sheet, fair value and the difference between them. The following table does not include items for which determining the fair value is recognized to be extremely difficult (See Note 2 below).

Fiscal 2015 (as of December 31, 2015)

(Unit: million yen)

	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	4,516	4,516	—
(2) Notes and accounts receivable - trade	85	85	—
Total of assets	4,602	4,602	—
(1) Accounts payable - other	963	963	—
(2) Short-term loans payable	1,267	1,267	—
(3) Long-term loans payable*1	37,906	38,162	256
(4) Bonds payable*2	557	557	—
Total of liabilities	40,694	40,950	256

*1 Long-term loans payable includes current portion of long-term loans payable.
*2 Bonds payable includes current portion of bonds payable.

Fiscal 2016 (as of December 31, 2016)

(Unit: million yen)

	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	8,204	8,204	—
(2) Notes and accounts receivable - trade	285	285	—
(3) Investment securities Other securities	49	49	—
Total of assets	8,540	8,540	—
(1) Accounts payable - other	1,087	1,087	—
(2) Short-term loans payable	4,308	4,308	—
(3) Long-term loans payable*1	46,537	46,981	444
(4) Bonds payable*2	190	187	(2)
Total of liabilities	52,123	52,565	442

*1 Long-term loans payable includes current portion of long-term loans payable.
*2 Bonds payable includes current portion of bonds payable.

(Notes) 1. Calculation method for fair value of financial instruments and matters related to derivative transactions.

Assets

(1) Cash and deposits and (2) Notes and accounts receivable - trade

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(3) Investment securities

With regard to investment securities, the fair value of stocks is determined by their price on stock exchanges.

Liabilities

(1) Accounts payable – other and (2) Short-term loans payable

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(3) Long-term loans payable and (4) Bonds payable

The fair value of these financial instruments is based on the method of calculating by discounting the sum of their principal by a rate assumed as being applicable to a new similar borrowing to be made or bonds payable to be issued by the Company.

2. Financial instruments for which discerning fair value is recognized to be extremely difficult.

(Unit: million yen)

Category	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
1) Listed shares	79	10
2) Silent partnership equity investment, etc.	615	166
Total	694	176

These are not subject to disclosure of fair value because discerning fair value is recognized to be extremely difficult as there is no market price and future cash flows cannot be estimated.

3. Scheduled redemption amount of monetary claims and securities with maturities after closing of accounts.

Fiscal 2015 (as of December 31, 2015)

(Unit: million yen)

	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 years or more
Cash and deposits	4,516	—	—	—
Notes and accounts receivable - trade	85	—	—	—
Total	4,602	—	—	—

Fiscal 2016 (as of December 31, 2016)

(Unit: million yen)

	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 years or more
Cash and deposits	8,204	—	—	—
Notes and accounts receivable - trade	285	—	—	—
Total	8,490	—	—	—

4. Scheduled repayment amount of bonds payable, long-term loans payable and other interest-bearing liabilities after closing of accounts.

Fiscal 2015 (as of December 31, 2015)

(Unit: million yen)

	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due in 5 years or more
Short-term loans payable	1,267	—	—	—	—	—
Long-term loans payable	8,317	11,889	1,585	12,874	657	2,581
Bonds payable	557	—	—	—	—	—
Total	10,142	11,889	1,585	12,874	657	2,581

Fiscal 2016 (as of December 31, 2016)

(Unit: million yen)

	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due in 5 years or more
Short-term loans payable	4,308	—	—	—	—	—
Long-term loans payable	16,753	15,547	10,321	731	2,115	1,068
Bonds payable	40	40	40	40	30	—
Total	21,101	15,587	10,361	771	2,145	1,068

11. Notes to Securities

(1) Other Securities

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

Not applicable

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(Unit: million yen)

	Type	Book value recorded on the balance sheet	Acquisition cost	Difference
Securities with book values on the consolidated balance sheet exceeding acquisition cost	(1) Shares	49	27	22
Total		49	27	22

(Note) The table above does not include non-listed shares and silent partnership equity investment, etc. (book value recorded on the consolidated balance sheet: 176 million yen) as Other securities, because discerning fair value is recognized to be extremely difficult as there is no market price.

(2) Securities with Declared Impairment

In Fiscal 2016, the Company realized impairment of 42 million yen for securities (42 million yen in shares classified as other securities).

The Company shall realize impairment for the entire amount if the fair value as of the end of the fiscal year has increased or decreased by 50% or more from the acquisition cost, and for the amount deemed necessary if the fair value has decreased by around 30% to 50%, with considerations given to the possibility of recovery.

12. Notes to Derivative Transactions

Not applicable

13. Notes to Retirement Benefits

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(1) Description of Retirement Benefit Plans Adopted by the Company

The Company and certain consolidated subsidiaries have adopted a defined contribution pension plan.

(2) Defined Contribution Pension Plan

The Company and certain consolidated subsidiaries paid 6 million yen for the defined contribution pension plan.

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(1) Description of Retirement Benefit Plans Adopted by the Company

The Company and certain consolidated subsidiaries have adopted a defined contribution pension plan.

(2) Defined Contribution Pension Plan

The Company and certain consolidated subsidiaries paid 8 million yen for the defined contribution pension plan.

14. Notes to Stock Options, Etc.

(1) Expensed Amount and Account Related to Stock Options

Not applicable

(2) Description, Size and Changes of Stock Options

1) Description of stock options

	2012 Stock Option Plan
Category and number of eligible persons	4 directors and 58 employees of ES-CON JAPAN
Number of stock options by type of shares (Note)	Common shares: 900,000 shares
Date of grant of options	April 27, 2012
Vesting conditions	The grantee must be, at the time of exercise of option, a director, an employee or in the similar position of the Company or its subsidiaries
Covered period of work	From April 27, 2012 to April 24, 2014
Exercise period	From April 25, 2014 to April 24, 2016

(Note) The number of stock options is indicated by the number of shares when the stock options are exercised. The number of shares indicates the converted figure after the 1-to-100 stock split the Company conducted on December 1, 2012.

2) Size and changes of stock options

The following table describes the stock option plan that existed in Fiscal 2015 ended December 31, 2015. The number of stock options indicates the number of shares when the stock options are exercised.

(i) Number of stock options

	2012 Stock Option Plan
Before right allotment (shares)	
Balance of unexercised options at the end of the previous consolidated fiscal year	—
Granted	—
Expired	—
Right allotment	—
Balance of unexercised options	—
After right allotment (shares)	
Balance of unexercised options at the end of the previous consolidated fiscal year	29,000
Right allotment	—
Exercise of right	29,000
Expired	—
Balance of unexercised options	—

(Note) The number of shares indicates the converted figure after the 1-to-100 stock split the Company conducted on December 1, 2012.

(ii) Unit price information (Unit: yen)

	2012 Stock Option Plan
Exercise price	43
Average share price upon exercise	260
Fair unit price valuation (as of the date of grant)	30.26

(Note) The exercise price has been adjusted through the execution of the subscription rights to shares based on the rights offering (allotment of non-commitment-type/listing-type subscription rights to shares without contribution), and is converted to the exercise price after the adjustment.

(3) Method for Estimating the Number of Stock Options after Right Allotment

The method of reflecting only the actual number of expired options has been adopted, since it is difficult to reasonably estimate the number of expired options in the future.

15. Notes to Tax Effect Accounting

(1) Significant Components of Deferred Tax Assets and Deferred Tax Liabilities

(Unit: million yen)

	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
Deferred tax assets		
Net operating loss carried forward	2,663	2,749
Loss on valuation of inventories	768	144
Impairment loss	380	716
Loss on valuation of investment securities	573	38
Asset retirement obligations	27	25
Unrecorded interest receivable	48	46
Temporary difference related to investments in subsidiaries	—	1,856
Other	71	89
Subtotal of deferred tax assets	4,532	5,666
Valuation allowance	(3,814)	(3,402)
Total of deferred tax assets	717	2,264
Deferred tax liabilities		
Asset retirement expenses	(12)	(10)
Total of deferred tax liabilities	(12)	(10)
Deferred tax assets, net	705	2,254

(2) Significant Components of Material Difference between the Effective Statutory Tax Rate and Income Tax Rate Applicable after Applying Tax Effect Accounting

(Unit: %)

	Fiscal 2015 (as of December 31, 2015)	Fiscal 2016 (as of December 31, 2016)
Effective statutory tax rate	35.6	33.0
(Adjustment)		
Permanently non-deductible entertainment and other expenses	0.3	0.3
Per-capita inhabitants tax	0.3	0.3
Increase/decrease in valuation allowance	(35.4)	(88.8)
Impact of change in tax rate	1.8	5.6
Other	0.0	(0.2)
Income tax rate after applying tax effect accounting	2.6	(49.8)

(3) Adjustment of Deferred Tax Assets and Deferred Tax Liabilities due to Changes in Income Tax Rate, Etc.

With the Act Concerning Partial Amendment of the Income Tax Act, Etc. (Act No. 15 of 2016) and the Act Concerning Partial Amendment of the Local Tax Act, Etc. (Act No. 13 of 2016) passing the Diet on March 29, 2016, the income tax rate will be lowered, effective for the consolidated fiscal year starting on or after April 1, 2016. In accordance with this, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed to 30.9% for the temporary differences that are expected to be reversed in the consolidated fiscal years starting January 1, 2017 and January 1, 2018, and will be changed to 30.7% for the temporary differences that are expected to be reversed in and after the consolidated fiscal year starting January 1, 2019.

Due to the change in the tax rate, the amount of deferred tax assets (the amount obtained by deducting the amount of deferred tax liabilities) decreased by 147 million yen, and income taxes – deferred that was recorded for Fiscal 2016 increased by 147 million yen.

16. Notes to Business Combination, Etc.

Not applicable

17. Notes to Asset Retirement Obligations

Asset retirement obligations that are recorded on the consolidated balance sheet

(1) Description of the Relevant Asset Retirement Obligations

The Company is obliged to restore its Tokyo Head Office, Osaka Head Office and Fukuoka Office to the original state in accordance with each of the real estate lease agreements.

(2) Calculation Method of the Amount of the Asset Retirement Obligations

The amount of the asset retirement obligations is calculated by using discount rates of 0.4% to 1.9%, with the expected period of use estimated to be 3 years to 18 years.

(3) Increase/Decrease of the Total Amount of the Asset Retirement Obligations

(Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Balance at beginning of fiscal year	53	86
Increase due to acquisition of property, plant and equipment	32	—
Adjustments over passage of time	1	1
Decrease due to implementation of asset retirement obligations	—	(3)
Other	(0)	—
Balance at end of fiscal year	86	83

18. Notes to Rental Real Estate

The Company and certain of its consolidated subsidiaries own retail facilities and land for retail facilities, etc. Income or loss from leasing these rental properties during Fiscal 2015 totaled 1,113 million yen in income (with rental income recorded as net sales and rental expenses recorded as cost of sales). Income or loss from leasing these rental properties during Fiscal 2016 totaled 759 million yen in income (with rental income recorded as net sales and rental expenses recorded as cost of sales).

The book value for the rental real estate as stated in the consolidated balance sheet, the amount of increase/decrease during the fiscal year and fair value were as follows: (Unit: million yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Book value recorded on the consolidated balance sheet		
Balance at beginning of fiscal year	24,449	21,674
Increase/decrease during fiscal year	(2,775)	(8,841)
Balance at end of fiscal year	21,674	12,832
Fair value at end of fiscal year	21,289	13,540

(Notes) 1. The book value recorded on the consolidated balance sheet represents the amount obtained by deducting accumulated depreciation and accumulated impairment loss from acquisition cost.
2. Of the amount of increase/decrease during fiscal year, the amount of decrease during Fiscal 2015 is primarily attributable to transfer to real estate for sale due to change of holding purposes (2,549 million yen) and depreciation (235 million yen). The amount of decrease during Fiscal 2016 is primarily attributable to sales of non-current assets (7,161 million yen), impairment loss of non-current assets (1,033 million yen), transfer to real estate for sale in process due to change of holding purposes (473 million yen) and depreciation (180 million yen).
3. Fair value at end of fiscal year indicates the amount calculated on the basis of Japan's Real Estate Appraisal Standards, using appraisals by outside real estate appraisers as a reference.

19. Segment Information

(1) Overview of Reportable Segments

The reportable segments of the ES-CON JAPAN Group are, among the Group's business units, those for which separate financial information can be obtained and that are to be regularly reviewed by the Board of Directors and other meeting structures in order to decide the distribution of management resources and to assess business performance.

The ES-CON JAPAN Group integrates individual projects that have similar features in terms of products and services into three reportable segments of Real estate sales business, Real estate leasing business and Real estate planning agency and consulting business.

Each of the reportable segments mainly comprises the following operations.

Real estate sales business: Development and sale of for-sale condominiums and retail facilities, sale of land, etc.

Real estate leasing business: Leasing of real estate, etc.

Real estate planning agency and consulting business: Consigned operations of real estate-related services, brokerage of transactions, sales agency, etc.

(2) Calculation Method of Net Sales, Income or Loss, Assets and Other Item Amounts by Reportable Segment

The accounting method for the reported business segments is the same as described in "Summary of significant accounting policies."

(3) Information on Net Sales, Income or Loss, Assets and Other Item Amounts by Reportable Segment

Fiscal 2015 (from January 1, 2015 to December 31, 2015) (Unit: million yen)

	Reportable segment					
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
Net sales						
Net sales to external customers	24,649	2,857	199	27,705	—	27,705
Intersegment net sales or transfers	—	—	—	—	—	—
Total	24,649	2,857	199	27,705	—	27,705
Segment income	3,769	1,606	173	5,549	(1,536)	4,012
Segment assets	30,005	22,337	7	52,351	5,737	58,088
Other items						
Depreciation	3	239	—	242	22	264
Increase in property, plant and equipment and intangible assets	9	29	—	38	59	98

(Notes) 1. Reconciliations are as follows:
(1) The reconciliation of segment income of -1,536 million yen is from corporate expenses not attributable to any reportable segment. Corporate expenses are general and administrative expenses not attributable to reportable segments.
(2) The reconciliation of segment assets of 5,737 million yen is mainly from surplus operating funds (cash and deposits) and administrative assets, etc. not attributable to reportable segments.
(3) The reconciliation of depreciation of 22 million yen is from depreciation on corporate assets not attributable to reportable segments.
(4) The reconciliation of increase in property, plant and equipment and intangible assets of 59 million yen is from increase in corporate assets not attributable to reportable segments.
2. Segment income is reconciled with operating income on the consolidated statement of income.

Fiscal 2016 (from January 1, 2016 to December 31, 2016) (Unit: million yen)

	Reportable segment					
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
Net sales						
Net sales to external customers	30,687	3,594	65	34,347	—	34,347
Intersegment net sales or transfers	—	—	—	—	—	—
Total	30,687	3,594	65	34,347	—	34,347
Segment income	4,798	2,058	65	6,921	(2,241)	4,680
Segment assets	48,004	14,673	0	62,678	11,024	73,703
Other items						
Depreciation	—	192	—	192	37	229
Increase in property, plant and equipment and intangible assets	—	193	—	193	19	213

(Notes) 1. Reconciliations are as follows:
(1) The reconciliation of segment income of -2,241 million yen is from corporate expenses not attributable to any reportable segment. Corporate expenses are general and administrative expenses not attributable to reportable segments.
(2) The reconciliation of segment assets of 11,024 million yen is mainly from surplus operating funds (cash and deposits) and administrative assets, etc. not attributable to reportable segments.
(3) The reconciliation of depreciation of 37 million yen is from depreciation on corporate assets not attributable to reportable segments.
(4) The reconciliation of increase in property, plant and equipment and intangible assets of 19 million yen is from an increase in corporate assets not attributable to reportable segments.
2. Segment income is reconciled with operating income on the consolidated statement of income.

20. Related Information

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(1) Information by Product and Service

Descriptions are omitted as identical information is disclosed in the segment information section.

(2) Information by Region

1) Net sales

Not applicable as the Company records no net sales to external customers outside Japan.

2) Property, plant and equipment

Not applicable as the Company has no property, plant and equipment outside Japan.

(3) Information by Major Customer

Customer's name	Sales (million yen)	Related segment
Kawaramachi Holdings GK	3,150	Real estate sales business

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(1) Information by Product and Service

Descriptions are omitted as identical information is disclosed in the segment information section.

(2) Information by Region

1) Net sales

Not applicable as the Company records no net sales to external customers outside Japan.

2) Property, plant and equipment

Not applicable as the Company has no property, plant and equipment outside Japan.

(3) Information by Major Customer

Descriptions are omitted as the Company's net sales for any individual customer is less than 10% of net sales recorded in the consolidated statement of income.

21. Information on Impairment Loss on Non-current Assets by Reportable Segment

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

(Unit: million yen)

	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Eliminations or corporate	Total
Impairment loss	—	—	—	7	7

(Note) For Fiscal 2015, the Company recorded impairment loss on its former head office in line with relocation of the head office.

Fiscal 2016 (from January 1, 2016 to December 31, 2016)

(Unit: million yen)

	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Eliminations or corporate	Total
Impairment loss	—	1,042	—	—	1,042

22. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

Not applicable

23. Information on Gain on Negative Goodwill by Reportable Segment

Not applicable

24. Information on Related Parties

(1) Transactions with Related Parties

1) Transactions between the filing party of these consolidated financial statements and related parties

Officers of the filing party of these consolidated financial statements and major shareholders (individuals only), etc.

Fiscal 2015 (from January 1, 2015 to December 31, 2015)

Type: Officer
Name: Hiroto Mizobata
Location: —
Paid-in capital or equity investment: —
Business description or occupation: Auditor of the Company
The Company's share of voting rights, etc. [or ownership of such in the Company]: Ownership in the Company 0.0%
Description of relationship: —
Description of transaction: Sale of a condominium unit (Note)

Transaction amount: 49 million yen
Category: —
Balance at end of fiscal year: —

(Note) The transaction represents sale of a for-sale condominium unit, and the terms and conditions of the transaction were determined in the same manner as in general transactions. The transaction amount does not include consumption taxes.

Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Not applicable

2) Transactions between the consolidated subsidiaries of the filing party of these consolidated financial statements and related parties
Descriptions are omitted as the transactions are immaterial.

(2) Notes to Parent Company or Important Affiliates
Not applicable

25. Per Share Information

(Unit: yen)

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Net assets per share	208.28	259.07
Basic earnings per share	44.65	58.76
Diluted earnings per share	44.50	57.41

(Notes) 1. In calculating net assets per share, the Company's shares owned by the share-based payment benefits trust for directors and share-based payment benefits type ESOP trust (the share-based payment benefits trust for directors: 554,200 shares for Fiscal 2015 and 554,200 shares for Fiscal 2016; the share-based payment benefits type ESOP trust: 235,400 shares for Fiscal 2015 and 235,300 shares for Fiscal 2016) are included in treasury shares, which are excluded from the number of shares issued and outstanding at end of the fiscal year.
2. In calculating basic earnings per share and diluted earnings per share, the Company's shares owned by the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (581,233 shares for Fiscal 2015 and 789,596 shares for Fiscal 2016) are included in treasury shares, which are excluded when calculating the period-average number of shares.
3. The basis for the calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal 2015 (from January 1, 2015 to December 31, 2015)	Fiscal 2016 (from January 1, 2016 to December 31, 2016)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	3,039	3,936
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent for common shares (million yen)	3,039	3,936
Period-average number of common shares (shares)	68,069,666	66,988,398
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	—	—
Increase in common shares (shares)	223,945	1,572,883
Description of dilutive shares without dilutive effect and not included in the calculation of diluted earnings per share	Fifth offer of subscription rights to shares based on resolution by the Board of Directors' meeting on October 31, 2013 Common shares: 3,042,000 shares	—

26. Significant Subsequent Events

[Acquisition of Treasury Shares]

The Company resolved at its Board of Directors' meeting held on December 27, 2016 on the acquisition of its treasury shares and the specific method for acquisition, pursuant to the provisions of Article 156 of the Companies Act, which are applied in place of the provisions of Article 165-3 of the Act, and implemented the acquisition of treasury shares as indicated below.

(1) Reason for Acquiring Treasury Shares
The Company acquired its treasury shares in order to enhance capital efficiency and conduct flexible capital policy in accordance with changes in the business management environment.

(2) Description of Resolution on the Acquisition
1) Type of shares to acquire: Common shares
2) Number of shares to acquire: 1,350,000 shares (maximum)
(Ratio to the number of shares issued and outstanding (excluding treasury shares): 1.9%)
3) Total acquisition price of shares: 430 million yen (maximum)
4) Acquisition period: From January 4, 2017 to March 31, 2017
5) Acquisition method: Market buying in a trust scheme

(3) Others
Conducting market buying in a trust scheme as stated above, the Company acquired 972,800 shares of its common shares (acquisition price: 429 million yen) by January 11, 2017 and completed the acquisition of treasury shares.

[Transfer of Non-current Assets]

Pro Net ES-CON Eight, Ltd., a consolidated subsidiary of the Company, resolved at its Board of Directors' meeting held on March 1, 2017 on the transfer of non-current assets, and sold the relevant assets as of the same date.

(1) Reason for Transfer
It was decided to transfer the following rental real estate owned by Pro Net ES-CON Eight, Ltd. in order to further enhance the capital efficiency and financial standing of the ES-CON JAPAN Group.

(2) Description of the Transferred Asset

Type and location of the asset	Transfer price	Book value	Gain on sale	Current status
Land and building (6-chome, Senriyama-Nishi, Suita City, Osaka)	8,363 million yen	8,350 million yen	11 million yen	Retail facility

(3) Buyer
Star Light Bridge 2 GK

(4) Transfer Date
March 1, 2017

[Cancellation of Treasury Shares]

The Company resolved at its Board of Directors' meeting held on March 24, 2017 on the cancellation of treasury shares pursuant to the provisions of Article 178 of the Companies Act.

(1) Reason for Cancellation of Treasury Shares

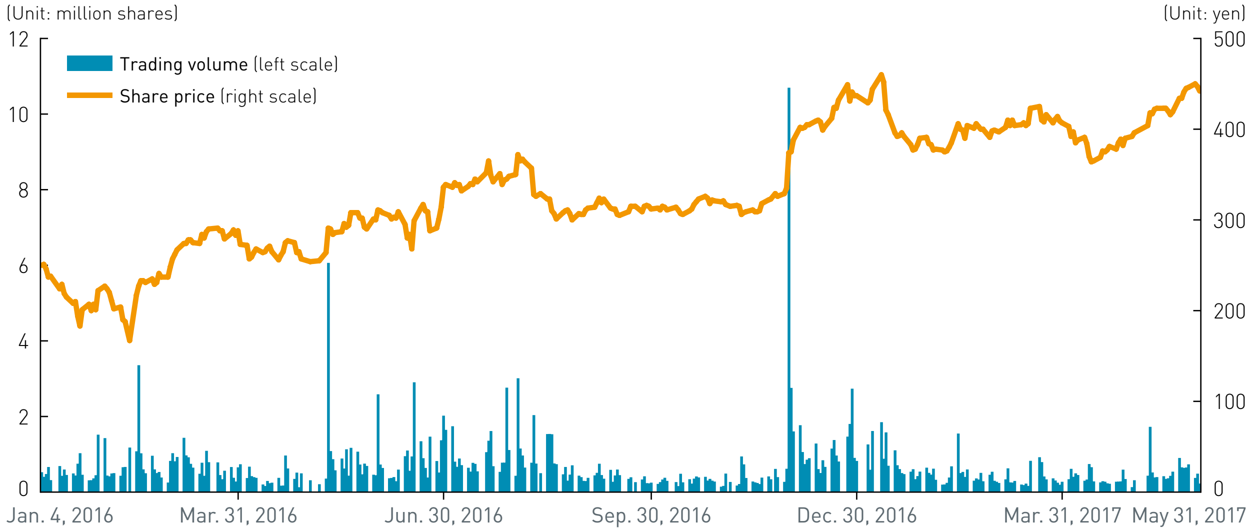
As part of its capital policy, the Company will cancel part of the treasury shares it has acquired in order to enhance capital efficiency and conduct flexible capital policy in accordance with changes in the business management environment.

(2) Overview of Cancellation of Treasury Shares

1) Type of shares to cancel: The Company's common shares
2) Number of shares to cancel: 1,800,000 shares
3) Cancellation date (planned): March 30, 2017
4) Number of shares issued and outstanding after cancellation: 68,794,887 shares

Investor Information

Status of Share Price (from January 4, 2016 to May 31, 2017)



Major Shareholders (as of March 31, 2017)

	Name	No. of shares owned	Ownership ratio (%)		Name	No. of shares owned	Ownership ratio (%)
1	Koryu Oh	10,600,000	15.3	4	Tenma Seiryu Co., Ltd.	3,000,000	4.3
2	Nissei Build Kogyo Co., Ltd.	6,500,000	9.4	8	Japan Trustee Services Bank, Ltd.	1,917,200	2.7
3	San Ai Housing Corp.	6,090,000	8.8	9	NS Corporation	1,360,300	1.9
4	Seiryu Asset Management Co., Ltd.	3,000,000	4.3	10	The Master Trust Bank of Japan, Ltd.	1,202,400	1.7
4	Seiryu Amusement Co., Ltd.	3,000,000	4.3	11	Takatoshi Ito	992,200	1.4
4	Seiko Leisure Co., Ltd.	3,000,000	4.3				

(Notes) 1. ES-CON JAPAN retains 1,966,900 shares of its own stock, but they are excluded from the list of major shareholders above.
2. Treasury shares are excluded from the calculation of ownership ratios.
3. Ownership ratio is rounded down to the first decimal place.

Notes for Investors

Fiscal year: January 1 to December 31

Securities code: 8892

Standard date for regular general meeting of shareholders: End of March

Standard date for submission of periodic securities report: End of March
Standard date for start of end-of-year dividend: December 31
The names of shareholders to be paid interim dividends shall be finalized on June 30 in the event they are to be paid.

Listing exchange: First tier, Tokyo Stock Exchange

Total number of shares issued and outstanding: 69,097,887 shares (as of March 31, 2017)

Total number of shareholders: 8,051 shareholders (as of March 31, 2017)

Share units: 100 shares

Institution managing the Shareholder Register Manager's Extraordinary Account:
Sumitomo Mitsui Trust & Banking, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

Contact: Transfer Agent Department, Sumitomo Mitsui Trust & Banking, 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063
Toll-free: 0120-782-031 (Japan only)
Agency services are available at the main branch and all branches of Sumitomo Mitsui Trust & Banking nationwide.

Notification of address change, etc.:
Please notify the securities firm that holds your investment account. Shareholders who have extraordinary accounts because they do not have an account at the securities firm should contact Sumitomo Mitsui Trust & Banking, the account manager for extraordinary accounts.

Payment of unpaid dividends: Please notify Sumitomo Mitsui Trust & Banking, the shareholder register manager.

Announcement method: Electronic announcements (https://www.es-conjapan.co.jp/) (Japanese)
However, the announcement shall be made via Nihon Keizai Shimbun when an accident or other development makes announcement via electronic announcement impossible.

Shareholders who have owned shares in ES-CON JAPAN for at least one year since June 30 of each year and who own more than 1,000 shares are eligible to receive shareholder benefits.