



Summary of Accounts for First Quarter of Term Ending December 2017 (Japanese GAAP) (Consolidated)

May 8, 2017

Name of listed company: ES-CON JAPAN Ltd. Listing exchange: Tokyo Stock Exchange
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 Scheduled date for submission of periodic securities report: May 8, 2017
 Scheduled date for start of dividend payment: —
 Supplementary explanatory materials created for accounts? Yes/No: No
 Accounts briefing meeting held? Yes/No: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for first quarter of term ending December 2017 (from January 1, 2017 to March 31, 2017)

(1) Consolidated operating results

(% figures show the rate of increase (decrease) compared with the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of term ending Dec. 2017	9,915	46.2	2,451	68.1	2,199	77.8	2,206	78.5
First quarter of term ended Dec. 2016	6,780	13.0	1,457	69.2	1,236	95.3	1,236	117.7

Note: Comprehensive income
 First quarter of term ending Dec. 2017: 2,205 million yen [78.4%] First quarter of term ended Dec. 2016: 1,236 million yen [117.7%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First quarter of term ending Dec. 2017	33.35	32.40
First quarter of term ended Dec. 2016	18.44	18.40

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First quarter of term ending Dec. 2017	84,696	18,172	21.5	273.84
Term ended Dec. 2016	73,703	17,363	23.6	259.07

Reference: Equity
 First quarter of term ending Dec. 2017: 18,169 million yen Term ended Dec. 2016: 17,360 million yen

2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Term ended Dec. 2016	—	0.00	—	15.00	15.00
Term ending Dec. 2017	—				
Term ending Dec. 2017 (Forecast)		0.00	—	15.00	15.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for term ending December 2017 (from January 1, 2017 to December 31, 2017)

(% figures for the full term show the rate of increase (decrease) compared with the previous term, and
 % figures for the first two quarters show the rate of increase (decrease) compared with the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First two quarters	12,100	(3.5)	2,200	19.3	1,750	26.9	1,550	0.4	23.13
Full term	45,500	32.5	5,700	21.8	4,800	33.2	4,400	12.2	65.66

(Note) Revisions from latest earnings forecast: None

* Explanatory notes

- (1) Changes in significant subsidiaries during the first quarter
 (Changes in specified subsidiaries resulting in change in scope of consolidation): None
 Newly included: — companies (Company name) —
 Excluded: — companies (Company name) —
- (2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 1) Changes in accounting policies due to amendment of accounting standards, etc.: None
 2) Changes in accounting policies other than 1): None
 3) Changes in accounting estimates: None
 4) Restatement: None

(4) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of period	First quarter of term ending Dec. 2017	69,097,887 shares	Term ended Dec. 2016	70,594,887 shares
2) Number of treasury shares at end of period	First quarter of term ending Dec. 2017	2,745,300 shares	Term ended Dec. 2016	3,583,600 shares
3) Average number of shares during period	First quarter of term ending Dec. 2017	66,174,429 shares	First quarter of term ended Dec. 2016	67,061,575 shares

Note: The number of treasury shares at end of period includes ES-CON JAPAN shares held in a share-based payment benefits trust for directors and a share-based payment benefits type ESOP trust (first quarter of term ending December 2017: 543,200 shares in the share-based payment benefits trust for directors and 235,200 shares in the share-based payment benefits type ESOP trust). In the calculation of the average number of shares during period, the treasury shares to be subtracted in that calculation includes ES-CON JAPAN shares held in the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (first quarter of term ending December 2017: 788,456 shares).

* This quarterly summary of accounts is not subject to quarterly review.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by ES-CON JAPAN. Accordingly, actual business performance and other results may differ materially due to various reasons. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see “Attachment; 1. Qualitative Information on Quarterly Results; (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information” on page 4.

1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

In the first quarter, the Japanese economy was on a moderate recovery trend with the employment and income situation continuing to trend toward improvement due in part to the government's various economic measures, but was in a state of clouded outlook due in part to uncertainties in overseas economies and fluctuations in the financial and capital markets.

The real estate industry in which the ES-CON JAPAN Group operates held resilient and firm due in part to low interest rates from monetary easing policies, but rise in land prices, intensification of competition over land acquisitions and other factors make it a state that warrants no optimism.

In the business environment described above, in the real estate sales business, which is the core business, revenue-generating real estate sales, etc. were conducted, and steady progress was made in condominium sales, too.

Steady progress was made in selling the projects slated for construction completion in the term ending December 2017 "Grand Le JADE Wakamatsucho Residence" (Shinjuku Ward, Tokyo; 31 units in total), "Le JADE Sakurajosui Tiara" (Setagaya Ward, Tokyo; 42 units in total), "Le JADE Otsu Nagisa-koen" (Otsu City, Shiga Prefecture; 44 units in total), etc., not to mention "Le JADE Takatsuki The Marks" (Takatsuki City, Osaka Prefecture; 95 units in total) that is already contracted to sell out.

In the commercial development business, along with acquiring several *sokochi* (land with land leasehold rights) of retail properties, the acquisition of a business site for a logistics facility as a new business field marked a steady step forward in diversification of the business.

In this manner, with five projects in the Tokyo metropolitan area, four projects in the Kinki area and two projects in other areas in acquisitions of new business sites as the site for for-sale, commercial and other multifaceted development in the first quarter, steady and proactive operations are underway.

In the real estate leasing business, efforts are being made to secure stable rental income from and enhance asset value of retail properties, etc. held by ES-CON JAPAN.

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

As a result, business performance for the first quarter was net sales of 9,915 million yen (up 46.2% compared with the same period of the previous year), operating income of 2,451 million yen (up 68.1% compared with the same period of the previous year), ordinary income of 2,199 million yen (up 77.8% compared with the same period of the previous year) and profit attributable to owners of parent of 2,206 million yen (up 78.5% compared with the same period of the previous year).

The following is the business performance by segment.

1) Real estate sales business

In the real estate sales business, activities included promoting condominium sales and selling three projects of revenue-generating real estate, resulting in net sales of 8,954 million yen (up 50.6% compared with the same period of the previous year) and segment income of 2,662 million yen (up 89.7% compared with the same period of the previous year).

2) 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 943 million yen (up 16.7% compared with the same period of the previous year) and segment income of 401 million yen (down 14.5% compared with the same period of the previous year).

3) Real estate planning agency and consulting business

In the real estate planning agency and consulting business, although proactive efforts were made in such aspects as entrustment with planning, consulting and other services by making best use of planning and multifaceted business building abilities, the result was net sales of 18 million yen (down 26.6% compared with the same period of the previous year) and segment income of 18 million yen (down 26.5% compared with the same period of the previous year).

(2) Explanation of Financial Position

Financial position

Assets at the end of the first quarter increased by 10,993 million yen compared with the end of the previous term to 84,696 million yen. This was mainly attributable to inventories increasing by 18,308 million yen, and buildings and structures decreasing by 1,004 million yen and land decreasing by 7,354 million yen.

Liabilities increased by 10,184 million yen compared with the end of the previous term to 66,524 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 10,025 million yen.

Net assets increased by 808 million yen compared with the end of the previous term to 18,172 million yen. This was attributable to cash dividends paid of 1,017 million yen and purchase of treasury shares of 429 million yen, yet recording profit attributable to owners of parent of 2,206 million yen. As a result, equity ratio was 21.5% (23.6% at the end of the previous term).

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

The consolidated earnings forecast remains unchanged from the forecast announced on February 10, 2017.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Term ended Dec. 2016 (as of Dec. 31, 2016)	First quarter of term ending Dec. 2017 (as of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	8,204	7,916
Notes and accounts receivable - trade	285	373
Real estate for sale	6,103	1,193
Real estate for sale in process	39,319	62,554
Supplies	32	14
Other	3,782	4,419
Allowance for doubtful accounts	(73)	(73)
Total current assets	57,654	76,399
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,351	3,793
Accumulated depreciation	(1,614)	(1,061)
Buildings and structures, net	3,737	2,732
Land	9,320	1,966
Other	176	176
Accumulated depreciation	(86)	(92)
Other, net	90	83
Total property, plant and equipment	13,147	4,782
Intangible assets		
Other	17	18
Total intangible assets	17	18
Investments and other assets		
Other	2,887	3,501
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	2,883	3,497
Total non-current assets	16,048	8,297
Total assets	73,703	84,696

(Unit: million yen)

	Term ended Dec. 2016 (as of Dec. 31, 2016)	First quarter of term ending Dec. 2017 (as of Mar. 31, 2017)
Liabilities		
Current liabilities		
Short-term loans payable	4,308	11,209
Current portion of long-term loans payable	16,753	14,674
Current portion of bonds	40	40
Income taxes payable	69	16
Other	4,320	4,803
Total current liabilities	25,492	30,744
Non-current liabilities		
Bonds payable	150	130
Long-term loans payable	29,784	35,006
Provision for directors' share-based benefits	54	51
Provision for share-based benefits	13	14
Asset retirement obligations	83	92
Other	761	484
Total non-current liabilities	30,847	35,779
Total liabilities	56,339	66,524
Net assets		
Shareholders' equity		
Capital stock	6,034	6,058
Capital surplus	1,763	1,787
Retained earnings	10,417	11,073
Treasury shares	(876)	(770)
Total shareholders' equity	17,338	18,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	21
Total accumulated other comprehensive income	22	21
Subscription rights to shares	3	2
Total net assets	17,363	18,172
Total liabilities and net assets	73,703	84,696

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)

(Unit: million yen)

	First quarter of term ended Dec. 2016 (from Jan. 1, 2016 to Mar. 31, 2016)	First quarter of term ending Dec. 2017 (from Jan. 1, 2017 to Mar. 31, 2017)
Net sales	6,780	9,915
Cost of sales	4,451	6,698
Gross profit	2,329	3,217
Selling, general and administrative expenses	871	766
Operating income	1,457	2,451
Non-operating income		
Interest income	0	0
Penalty income	—	8
Other	0	0
Total non-operating income	0	9
Non-operating expenses		
Interest expenses	205	257
Share issuance cost	13	—
Other	3	3
Total non-operating expenses	221	261
Ordinary income	1,236	2,199
Extraordinary income		
Gain on sales of non-current assets	—	11
Gain on reversal of subscription rights to shares	0	—
Total extraordinary income	0	11
Extraordinary losses		
Loss on retirement of non-current assets	—	0
Loss on valuation of investment securities	42	—
Total extraordinary losses	42	0
Profit before income taxes	1,194	2,210
Income taxes - current	117	18
Income taxes - deferred	(158)	(14)
Total income taxes	(41)	3
Profit	1,236	2,206
Profit attributable to owners of parent	1,236	2,206

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	First quarter of term ended Dec. 2016 (from Jan. 1, 2016 to Mar. 31, 2016)	First quarter of term ending Dec. 2017 (from Jan. 1, 2017 to Mar. 31, 2017)
Profit	1,236	2,206
Other comprehensive income		
Valuation difference on available-for-sale securities, before tax	—	(1)
Total other comprehensive income	—	(1)
Comprehensive income	1,236	2,205
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,236	2,205
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

In the first quarter, there were share-based payments of 11,000 shares to eligible parties from the share-based payment benefits trust for directors and 100 shares to eligible parties from the share-based payment benefits type ESOP trust. In addition, purchase of treasury shares of 972,800 shares was made by resolution at the meeting of the board of directors held on December 27, 2016 and retirement of treasury shares of 1,800,000 shares was made by resolution at the meeting of the board of directors held on March 24, 2017. As a result, treasury shares decreased by 106 million yen, resulting in treasury shares at the end of the first quarter of 770 million yen.

(Segment Information, etc.)

[Segment Information]

I. First Quarter of Term Ended December 2016 (from January 1, 2016 to March 31, 2016)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	5,946	808	25	6,780	—	6,780
Intersegment net sales or transfers	—	—	—	—	—	—
Total	5,946	808	25	6,780	—	6,780
Segment income	1,403	469	25	1,898	(440)	1,457

(Note 1) The reconciliation of segment income of -440 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

(Note 2) Segment income is reconciled with operating income on the quarterly consolidated statement of income.

2. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

Not applicable.

II. First Quarter of Term Ending December 2017 (from January 1, 2017 to March 31, 2017)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	8,954	943	18	9,915	—	9,915
Intersegment net sales or transfers	—	—	—	—	—	—
Total	8,954	943	18	9,915	—	9,915
Segment income	2,662	401	18	3,082	(631)	2,451

(Note 1) The reconciliation of segment income of -631 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

(Note 2) Segment income is reconciled with operating income on the quarterly consolidated statement of income.

2. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

Not applicable.

3. Other

Status of Contracts and Sales

The performance of contracts in the real estate sales business for the first quarter is as follows:

Classification	First quarter of term ending Dec. 2017 (from Jan. 1, 2017 to Mar. 31, 2017)			
	Contract amount during the period		Balance of contracts at the end of the period	
	Number of units (units)	Amount (million yen)	Number of units (units)	Amount (million yen)
Mid- to high-rise housing, etc.	156	6,207	339	13,644
Other	—	3,290	—	9,026
Total	156	9,497	339	22,670

(Note) The above amounts do not include consumption tax, etc.

The main performance of sales by segment for the first quarter is as follows:

Name of segment	First quarter of term ending Dec. 2017 (from Jan. 1, 2017 to Mar. 31, 2017)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	23	1,151
	Garden Mall Seiwadai	—	3,290
	Nihonbashi-kayabacho	—	2,200
	Nihonbashi-bakurocho	—	1,520
	2-chome, Kawaguchi, Nishi-ku	—	389
	Fukuoka Kasuga	—	231
	Detached housing	2	124
	Fukuoka Kasuga District 7	—	46
	Subtotal		8,954
Real estate leasing business			943
Real estate planning agency and consulting business			18
	Total		9,915

(Note 1) There are no transactions between segments.

(Note 2) The above amounts do not include consumption tax, etc.