



## Summary of Accounts for First Two Quarters of Fiscal Year Ending December 2019 (Japanese GAAP) (Consolidated)

August 8, 2019

Name of listed company: ES-CON JAPAN Ltd. Listing exchange: Tokyo Stock Exchange  
 Code: 8892 URL: <https://www.es-conjapan.co.jp>  
 Representative: (Name) Takatoshi Ito (Position) President & Representative Director  
 Contact for inquiries: (Name) Minoru Nakanishi (Position) Senior Managing Director TEL: 06 (6223) 8055  
 Scheduled date for submission of periodic securities report: August 8, 2019  
 Scheduled date for start of dividend payment: —  
 Supplementary explanatory materials created for accounts? Yes/No: No  
 Accounts briefing meeting held? Yes/No: Yes (for analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated results for first two quarters of fiscal year ending December 2019 (from January 1, 2019 to June 30, 2019)

#### (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 two quarters of fiscal year ending Dec. 2019	30,228	22.7	6,788	84.2	6,197	95.0	4,293	99.9
First two quarters of fiscal year ended Dec. 2018	24,636	110.5	3,685	55.5	3,178	69.2	2,148	14.3

Note: Comprehensive income  
 First two quarters of fiscal year ending Dec. 2019: 4,355 million yen [103.5%]  
 First two quarters of fiscal year ended Dec. 2018: 2,139 million yen [14.1%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First two quarters of fiscal year ending Dec. 2019	62.75	62.61
First two quarters of fiscal year ended Dec. 2018	31.55	31.37

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First two quarters of fiscal year ending Dec. 2019	120,191	29,530	24.6	431.26
Fiscal year ended Dec. 2018	109,747	27,359	24.9	400.47

Reference: Equity  
 First two quarters of fiscal year ending Dec. 2019: 29,528 million yen  
 Fiscal year ended Dec. 2018: 27,358 million yen

### 2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
Fiscal year ended Dec. 2018	—	0.00	—	32.00	32.00
Fiscal year ending Dec. 2019	—	0.00	—	—	—
Fiscal year ending Dec. 2019 (Forecast)	—	—	—	35.00	35.00

(Note) Revisions from latest dividends forecast: None

### 3. Consolidated earnings forecast for fiscal year ending December 2019 (from January 1, 2019 to December 31, 2019) (% figures for the full fiscal year show the rate of increase (decrease) compared with the previous period.)

	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
Full fiscal year	74,800	37.7	12,500	8.1	11,200	6.7	7,800	7.9	113.95

(Note) Revisions from latest earnings forecast: None

\* Explanatory notes

(1) Changes in significant subsidiaries during the first two quarters

(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 two quarters of fiscal year ending Dec. 2019	71,806,887 shares	Fiscal year ended Dec. 2018	71,649,387 shares
2) Number of treasury shares at end of period	First two quarters of fiscal year ending Dec. 2019	3,334,900 shares	Fiscal year ended Dec. 2018	3,334,900 shares
3) Average number of shares during period	First two quarters of fiscal year ending Dec. 2019	68,435,343 shares	First two quarters of fiscal year ended Dec. 2018	68,107,551 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 two quarters of fiscal year ending December 2019: 487,200 shares in the share-based payment benefits trust for directors and 234,300 shares in the share-based payment benefits type ESOP trust). In the calculation of the average number of shares during period (cumulative total of first two quarters), 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 two quarters of fiscal year ending December 2019: 721,500 shares).

\* This quarterly summary of accounts is not subject to quarterly review of certified public accountant or Audit Corporation.

\* 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.

○Contents of Attachment

1. Qualitative Information on Quarterly Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Position.....	4
(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information .....	5
2. Quarterly Consolidated Financial Statements and Key Notes .....	6
(1) Quarterly Consolidated Balance Sheet .....	6
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income .....	8
(Quarterly Consolidated Statement of Income) .....	8
(Quarterly Consolidated Statement of Comprehensive Income) .....	9
(3) Quarterly Consolidated Statement of Cash Flows.....	10
(4) Notes to Quarterly Consolidated Financial Statements .....	11
(Notes on Going Concern Assumption).....	11
(Notes on Substantial Changes in the Amount of Shareholders' Equity) .....	11
(Additional information) .....	11
(Segment Information, etc.) .....	12
(Significant Subsequent Events) .....	13
3. Other .....	15
Status of Contracts and Sales.....	15

## Attachment

### 1. Qualitative Information on Quarterly Results

#### (1) Explanation of Operating Results

In the first two quarters, the Japanese economy showed potential to maintain a moderate recovery despite some weakness seen in exports and production, due in part to various governmental measures proving effective amid ongoing improvement in the employment and income situation. The economic outlook remains clouded, however, as the situation calls for attention to the impact of the U.S.-China trade friction on the world economy as well as uncertainties in overseas economies, including downside risk in the Chinese economy in addition to the effects of the consumption tax hike and fluctuation in the financial and capital markets, among other factors.

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, yet the situation warrants no optimism because of such factors as a rise in land prices, intensified competition in acquiring land and construction costs remaining high.

In the business environment described above, we are proactively developing multifaceted businesses in the current fiscal period (fiscal period ending December 2019) as the final fiscal year of the second medium-term management plan “IDEAL to REAL 2019” that started from the fiscal year ended December 2017.

#### 1) Listing of ESCON JAPAN REIT Investment Corporation

Investment units issued by ESCON JAPAN REIT Investment Corporation (hereinafter “ESCON REIT”), of which asset management is entrusted to ES-CON Asset Management Ltd., a consolidated subsidiary of ES-CON JAPAN, listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market in February 2019. ESCON REIT is a diversified J-REIT that mainly invests in “everyday life-based” commercial facilities closely associated with the local community and in land with leasehold interest for such commercial facilities.

ES-CON JAPAN Group intends to fully support enhancement of earnings and stable growth of ESCON REIT as a sponsor and aims for further growth. In addition, Chubu Electric Power Co., Inc. (hereinafter “Chubu Electric Power”) is a support company of ESCON REIT.

#### 2) Business Development in the Chubu Region

ES-CON JAPAN concluded a business partnership agreement with Chubu Electric Power in August 2018 to position the Chubu region as a core business area comparable to the Tokyo metropolitan area and the Kansai region, and established a Nagoya branch in March 2019. ES-CON JAPAN acquired a site for a condominium in Higashi Ward, Nagoya City in June 2019, the first such case in the Chubu region, and intends to develop the business to contribute to regional revitalization.

#### 3) Opening of Community-based Shopping Center, “tonarie Toga-Mikita”

“tonarie Toga-Mikita,” a community-based commercial facility developed by ES-CON JAPAN in Sakai City, Osaka, opened in April 2019. Serving as a terminal of “bustle and interaction” for the residents of the Toga-Mikita area, it provides a place where a wide range of generations, from small children to the elderly, can enjoy themselves, and supports their everyday life. ES-CON JAPAN will continue to develop community-based commercial facilities such as this and contribute to society through regional revitalization and community development.

#### 4) Acquisition of Shares of Detached House Business Companies

In July 2019, ES-CON JAPAN acquired shares of two companies operating mainly in Saitama Prefecture—One’s Own House Co., Ltd., which sells detached houses, and Rise Home Co., Ltd., which builds detached houses—making them fully-owned subsidiaries.

Saitama is an attractive market in the metropolitan area where steady growth is expected as a commuter region for central Tokyo and is believed to contribute to greater business expansion in the metropolitan area. Based on this idea, ES-CON JAPAN seeks to strengthen its real estate development business centering on condominiums and detached houses in Saitama.

#### 5) Overseas Investment Business

In March 2019, ES-CON JAPAN made a commitment to a Hawaii-focused closed-end real estate investment

fund as its new business. In addition, ES-CON JAPAN established its subsidiary ESCON JAPAN (Thailand) CO., LTD. in Thailand in July, participating in a condominium joint development project while jointly investing in a Thailand fund through mezzanine finance. As such, ES-CON JAPAN has embarked on development of its overseas business.

#### 6) Business Development by Segment

- a. 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.

In the real estate sales business, sales of new projects “Le JADE Toyoda Master Hills (Hino City, Tokyo; 63 units in total),” “Le JADE Utsukushigaoka (Aoba Ward, Yokohama City; 90 units in total),” “Le JADE Nishinomiya Kitaguchi Hinokuchi-cho (Nishinomiya City, Hyogo Prefecture; 94 units in total)” and “Le JADE Takatsuki Miyanocho (Takatsuki City, Osaka Prefecture; 99 units in total)” etc. started while “Le JADE Sumakaihin Koen (Suma Ward, Kobe City; 30 units in total),” “Le JADE Shinkanaoka Park Fields (Kita Ward, Sakai City; 204 units in total)” and “Grand Le JADE Takatsuki Tenjin (Takatsuki City, Osaka Prefecture; 28 units in total)” scheduled for completion in the current fiscal year and “Le JADE Kuzuha (Hirakata City, Osaka Prefecture; 78 units in total)” scheduled for completion in the next fiscal year are contracted to sell out.

Furthermore, for the hotel development projects incorporating inbound tourism needs, sales of 2 projects developed in Chuo Ward, Osaka City have completed.

In the commercial development business, ES-CON JAPAN acquired “Tsukuba Q’t” and “Tsukuba MOG” in December 2018 and “Tsukuba Creo” in March 2019, which are commercial facilities in Tsukuba City, Ibaraki Prefecture. Utilizing multifaceted real estate development expertise accumulated to date, ES-CON JAPAN will promote Tsukuba Station-front development through utilizing the three facilities that can contribute to the local area in an integrated manner.

Furthermore, in the logistics development business, ES-CON JAPAN is steadily promoting diversification of its business including endeavors on developing new business fields with an eye on the next era and globalization, with the launch of a new logistics facility brand “LOGITRES.”

As such, ES-CON JAPAN conducted business operations in a steady and proactive manner, acquiring new business sites and a commercial facility for 2 projects in the Tokyo metropolitan area, 5 projects in the Kinki region, 2 projects in the Chubu region and 1 project in other areas in the first two quarters, to be used as the site for for-sale, commercial and other multifaceted development.

- b. In the real estate leasing business, efforts are being made to secure stable rental income from retail properties held by ES-CON JAPAN and to enhance their asset value.
- c. In the real estate planning agency and consulting business, focus is placed on being 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, ES-CON JAPAN achieved net sales of 30,228 million yen (up 22.7%), operating income of 6,788 million yen (up 84.2%), ordinary income of 6,197 million yen (up 95.0%) and profit attributable to owners of parent of 4,293 million yen (up 99.9%) for the first two quarters, all compared with the same period of the previous year.

The following describes the operating results by each segment, with figures compared with the same period of the previous year.

##### 1) Real estate sales business

In the real estate sales business, activities included promoting condominium sales and selling real estate for sale such as commercial facilities and hotels, resulting in net sales of 27,763 million yen (up 21.8%) and segment income of 6,992 million yen (up 79.8%).

## 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 2,392 million yen (up 56.8% compared with the same period of the previous year) and segment income of 1,536 million yen (up 64.9% 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 the best use of planning and multifaceted business building abilities, it resulted in net sales of 72 million yen (down 77.7%) and segment income of 60 million yen (down 80.3%).

## (2) Explanation of Financial Position

ES-CON JAPAN has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan "ASBJ" Statement No. 28; February 16, 2018) since the beginning of the consolidated accounting period for the first quarter, and the status of its financial position is analyzed through comparison with the previous consolidated accounting fiscal year based on figures arrived at through retroactive application of the accounting standard, etc.

### 1) Financial position

Assets at the end of the first two quarters increased by 10,444 million yen compared with the end of the previous fiscal year to 120,191 million yen. This was mainly attributable to cash and deposits increasing by 1,624 million yen and inventories increasing by 7,677 million yen while part of real estate for sale in process (8,410 million yen) was transferred to buildings and structures (504 million yen) and land (7,905 million yen) due to a change in the purpose of holding the real estate.

Liabilities increased by 8,273 million yen compared with the end of the previous term to 90,661 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 8,281 million yen.

Net assets increased by 2,170 million yen compared with the end of the previous fiscal year to 29,530 million yen. This was attributable to cash dividends paid of 2,209 million yen, while recording profit attributable to owners of parent of 4,293 million yen. As a result, the equity ratio was 24.6% (24.9% at the end of the previous fiscal year).

### 2) Cash flows

Cash and cash equivalents ("net cash") at the end of the first two quarters increased by 1,593 million yen compared with the beginning of the fiscal year to 18,156 million yen (13,489 million yen at the end of the same period of the previous fiscal year).

The following outlines the cash flows and the factors of change in cash flows in the first two quarters.

#### (Cash flows from operating activities)

Cash flows from operating activities decreased by 3,650 million yen (net cash used in operating activities of 10,465 million yen in the same period of the previous fiscal year). This was mainly attributable to profit before income taxes of 6,197 million yen, increase in inventories of 8,229 million yen and income taxes paid of 1,379 million yen.

#### (Cash flows from investing activities)

Cash flows from investing activities decreased by 839 million yen (134 million yen used in investing activities in the same period of the previous fiscal year). This was mainly attributable to purchase of investment securities of 1,073 million yen.

#### (Cash flows from financing activities)

Cash flows from financing activities increased by 6,083 million yen (13,175 million yen provided by financing activities in the same period of 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 8,301 million yen and payment of cash dividends of 2,205 million yen.

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

The consolidated earnings forecast remains unchanged from the forecast announced on February 8, 2019.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2018 (as of Dec. 31, 2018)	First two quarters of fiscal year ending Dec. 2019 (as of Jun. 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	16,598	18,223
Notes and accounts receivable - trade	491	525
Real estate for sale	15,308	2,909
Real estate for sale in process	65,890	77,556
Other	6,353	6,874
Total current assets	104,642	106,089
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,459	1,989
Accumulated depreciation	(462)	(489)
Buildings and structures, net	997	1,499
Land	623	8,528
Other	151	184
Accumulated depreciation	(113)	(125)
Other, net	38	59
Total property, plant and equipment	1,658	10,087
Intangible assets		
Other	30	31
Total intangible assets	30	31
Investments and other assets		
Other	3,453	4,020
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	3,415	3,982
Total non-current assets	5,104	14,101
Total assets	109,747	120,191



(Unit: million yen)

	Fiscal year ended Dec. 2018 (as of Dec. 31, 2018)	First two quarters of fiscal year ending Dec. 2019 (as of Jun. 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	1,720	2,009
Current portion of long-term loans payable	23,993	33,529
Current portion of bonds	40	40
Income taxes payable	1,448	2,007
Asset retirement obligations	33	33
Other	9,973	9,136
Total current liabilities	37,210	46,756
Non-current liabilities		
Bonds payable	270	250
Long-term loans payable	44,568	43,045
Provision for directors' share-based benefits	97	109
Provision for share-based benefits	30	30
Asset retirement obligations	77	83
Other	132	385
Total non-current liabilities	45,176	43,904
Total liabilities	82,387	90,661
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,259	6,272
Capital surplus	1,988	2,001
Retained earnings	20,310	22,395
Treasury shares	(1,207)	(1,207)
Total shareholders' equity	27,352	29,461
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	67
Total accumulated other comprehensive income	6	67
Subscription rights to shares	1	1
Total net assets	27,359	29,530
<b>Total liabilities and net assets</b>	<b>109,747</b>	<b>120,191</b>

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

(Unit: million yen)

	First two quarters of fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Jun. 30, 2018)	First two quarters of fiscal year ending Dec. 2019 (from Jan. 1, 2019 to Jun. 30, 2019)
Net sales	24,636	30,228
Cost of sales	18,299	20,896
Gross profit	6,336	9,331
Selling, general and administrative expenses	2,651	2,543
Operating income	3,685	6,788
Non-operating income		
Interest income	0	0
Dividend income	2	2
Penalty income	6	6
Other	1	0
Total non-operating income	9	9
Non-operating expenses		
Interest expenses	492	596
Other	24	3
Total non-operating expenses	516	600
Ordinary income	3,178	6,197
Extraordinary income		
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	4	—
Total extraordinary losses	4	—
Profit before income taxes	3,174	6,197
Income taxes - current	14	1,912
Income taxes - deferred	1,011	(8)
Total income taxes	1,026	1,903
Profit	2,148	4,293
Profit attributable to owners of parent	2,148	4,293

## (Quarterly Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	First two quarters of fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Jun. 30, 2018)	First two quarters of fiscal year ending Dec. 2019 (from Jan. 1, 2019 to Jun. 30, 2019)
Profit	2,148	4,293
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	40
Share of other comprehensive income of entities accounted for using equity method	—	20
Total other comprehensive income	(8)	61
Comprehensive income	2,139	4,355
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,139	4,355
Comprehensive income attributable to non-controlling interests	—	—

## (3) Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	First two quarters of fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Jun. 30, 2018)	First two quarters of fiscal year ending Dec. 2019 (from Jan. 1, 2019 to Jun. 30, 2019)
<b>Cash flows from operating activities</b>		
Profit before income taxes	3,174	6,197
Depreciation	39	43
Increase (decrease) in provision for directors' share-based benefits	15	11
Increase (decrease) in provision for share-based benefits	2	—
Interest and dividend income	(2)	(2)
Interest expenses	492	596
Loss on retirement of non-current assets	4	—
Decrease (increase) in notes and accounts receivable - trade	131	(33)
Decrease (increase) in inventories	(13,528)	(8,229)
Decrease (increase) in prepaid expenses	(139)	(616)
Increase (decrease) in accounts payable - other	(577)	(418)
Decrease/increase in consumption taxes receivable/payable	(208)	(182)
Increase (decrease) in advances received	1,513	229
Increase (decrease) in deposits received	(171)	(2)
Decrease (increase) in other assets	(231)	656
Increase (decrease) in other liabilities	(68)	59
Subtotal	(9,555)	(1,690)
Interest and dividend income received	2	2
Interest expenses paid	(508)	(583)
Income taxes (paid) refund	(404)	(1,379)
Net cash provided by (used in) operating activities	(10,465)	(3,650)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(9)	(9)
Purchase of investment securities	(110)	(1,073)
Proceeds from withdrawal of investment securities	8	513
Purchase of non-current assets	(45)	(75)
Proceeds from sales of non-current assets	73	17
Collection of loans receivable	0	0
Proceeds from guarantee deposits received	336	617
Repayments of guarantee deposits received	(101)	(830)
Payments for investments in capital	(17)	—
Net cash provided by (used in) investing activities	134	(839)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	6,461	3,270
Decrease in short-term loans payable	(1,989)	(2,981)
Proceeds from long-term loans payable	21,113	24,879
Repayments of long-term loans payable	(11,270)	(16,866)
Proceeds from issuance of bonds	200	—
Redemption of bonds	(20)	(20)
Repayments of lease obligations	(0)	(0)
Repayments of installment payables	(16)	(16)
Proceeds from issuance of common shares	67	24
Purchase of treasury shares	(131)	—
Cash dividends paid	(1,236)	(2,205)
Net cash provided by (used in) financing activities	13,175	6,083
Net increase (decrease) in cash and cash equivalents	2,844	1,593
Cash and cash equivalents at beginning of period	10,644	16,563
Cash and cash equivalents at end of period	13,489	18,156

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Additional information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting")

ES-CON JAPAN has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan "ASBJ" Statement No. 28; February 16, 2018) since the beginning of the consolidated accounting period for the first quarter, and deferred tax assets is indicated under the classification of investments and other assets and deferred tax liabilities under non-current liabilities.

(Change in the purpose of hold)

In the first two quarters, part of real estate for sale in process (8,410 million yen) was transferred to buildings and structures (504 million yen) and land (7,905 million yen) due to a change in the purpose of holding the real estate.

(Segment Information, etc.)

[Segment Information]

I. First Two Quarters of Fiscal Year Ended December 2018 (from January 1, 2018 to June 30, 2018)

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	22,786	1,525	324	24,636	—	24,636
Intersegment net sales or transfers	—	—	—	—	—	—
Total	22,786	1,525	324	24,636	—	24,636
Segment income	3,889	932	308	5,130	(1,445)	3,685

(Note 1) The reconciliation of segment income of -1,445 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 Two Quarters of Fiscal Year Ending December 2019 (from January 1, 2019 to June 30, 2019)

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	27,763	2,392	72	30,228	—	30,228
Intersegment net sales or transfers	—	—	—	—	—	—
Total	27,763	2,392	72	30,228	—	30,228
Segment income	6,992	1,536	60	8,589	(1,801)	6,788

(Note 1) The reconciliation of segment income of -1,801 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.

(Significant Subsequent Events)

(Business Combination through Acquisition)

ES-CON JAPAN resolved at the board of directors' meeting held on June 26, 2019, to acquire all shares of One's Own House Co., Ltd. and Rise Home Co., Ltd., making them subsidiaries, and concluded an agreement on the transfer of shares on the same day. The shares were acquired on July 1, 2019.

1. Overview of Business Combination

(1) Name and Business Description of Acquired Companies

Name of acquired company	One's Own House Co., Ltd.	Rise Home Co., Ltd.
Business description	Sale of detached houses, resale of used houses, etc.	Construction of houses, etc.

(2) Main Reason for Business Combination

One's Own House Co., Ltd. engages in sale of detached houses and Rise Home Co., Ltd. engages in construction of detached houses, mainly in Saitama Prefecture.

Saitama is an attractive market in the metropolitan area where steady growth is expected as a commuter region for central Tokyo and is believed to contribute to greater business expansion in the metropolitan area. Based on this idea, ES-CON JAPAN decided to acquire the shares (make the companies subsidiaries) with an aim to strengthen its real estate development business centering on condominiums and detached houses in Saitama.

(3) Date of Business Combination

July 1, 2019

(4) Legal Framework of Business Combination

Acquisition of shares with cash as consideration

(5) Names of the Companies after Business Combination

There are no changes to the names of the companies after business combination.

(6) Percentage of voting rights acquired

100%

(7) Main Reasons for Determining Acquisition

ES-CON JAPAN's acquisition of shares with cash as consideration

2. Breakdown of Acquisition Cost and Consideration for Acquired Companies (Total for Aforementioned Two Companies)

Acquisition consideration	Cash	1,154 million yen
Acquisition cost		1,154 million yen

3. Major Acquisition-Related Expenses and Amount

Advisory fee/charge, etc. 46 million yen

4. Amount, Reason, Amortization Method and Amortization Period for Goodwill

Yet to be determined.

5. Breakdown of Assets Acquired and Liabilities Assumed on the Date of Business Combination

Yet to be determined.

(Participation in For-Sale Housing Development Project in Thailand)

ES-CON JAPAN resolved at the board of directors' meeting held on June 28, 2019, to participate in a for-sale housing development project in Thailand, established its local consolidated subsidiary ESCON JAPAN (Thailand) CO., LTD. on July 9, 2019, and through this subsidiary acquired equity interest in ORIGIN KNIGHTSBRIDGE THEPHARAK CO., LTD., an equity-method affiliate engaged in condominium development projects jointly with ORIGIN PROPERTY PUBLIC COMPANY LIMITED, a real estate developer in Thailand (425 million yen in total.)

Furthermore, parallel to the project mentioned above, on July 12, 2019, ES-CON JAPAN invested in the Gate City Bangkok Mezzanine Fund (business person: GCB Mezzanine GK), a silent partnership investing in condominium development projects in Bangkok, Thailand, in which Mercuria Investment Co., Ltd. has invested.

1. Establishment of Significant Subsidiary, etc.

(1) Name, business description and size of the company to be established	ESCON JAPAN (Thailand) CO., LTD.
(2) Date of establishment	July 9, 2019
(3) Number of shares to be acquired	49,000 common shares
(4) Acquisition price	490,000 THB
(5) Equity ratio after acquisition	49% (effective control)

2. Acquisition of Shares

(1) Name of the counterparty in the share acquisition	ORIGIN PROPERTY PUBLIC COMPANY LIMITED
(2) Name of company whose shares are to be acquired	ORIGIN KNIGHTSBRIDGE THEPHARAK CO., LTD.
(3) Business description	For-sale housing development project in Thailand
(4) Size of project (scheduled)	For-sale condominium development (36F/B1 Residential units: 474, Shop: 1)
(5) Date of share acquisition	July 31, 2019
(6) Number of shares to be acquired	7,228,420 common shares
(7) Acquisition price	121,684,800 THB
(8) Equity ratio after acquisition	49%

3. Conclusion of Significant Contract, etc.

(1) Name of the counterparty of the contract	Business person: GCB Mezzanine GK
(2) Date of contract conclusion	July 9, 2019
(3) Contract description	Investment in a silent partnership Gate City Bangkok Mezzanine Fund Committed capital: 500 million yen (Invested amount: 9 million yen)
(4) Significant impact on operating activities	Impact of the conclusion of contract is minor.



### 3. Other

#### Status of Contracts and Sales

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

Classification	First two quarters of fiscal year ending Dec. 2019 (from Apr. 1, 2019 to Jun. 30, 2019)			
	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.	183	8,145	751	31,246
Other	—	2,825	—	11,155
Total	183	10,970	751	42,401

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

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

Name of segment	First two quarters of fiscal year ending Dec. 2019 (from Jan. 1, 2019 to Jun. 30, 2019)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	98	5,114
	Minamisenba I, Chuo-ku	—	6,580
	Kita-Nagoya Pare Marche Nishiharu	—	4,610
	Asumigaoka Brand-New Mall	—	3,200
	K's Denki Oyumino shop	—	2,710
	Nagahoribashi Ekimae	—	2,100
	Kobe-shi Nishi-ku Mitani	—	1,430
	Daisen-nishi Commercial II, Sakai-shi	—	946
	Nishishiroi Ekimae	—	451
	Fukuoka Kasuga	—	401
	Nakano-ku Nakano	—	220
	Subtotal	98	27,763
Real estate leasing business			2,392
Real estate planning agency and consulting business			72
	Total		30,228

(Note 1) There are no transactions between segments.

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