



Summary of Accounts for Fiscal Year Ended December 2019 (Japanese GAAP) (Consolidated)

January 30, 2020

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
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 Scheduled date for next regular general meeting of shareholders: March 26, 2020
 Scheduled date for submission of periodic securities report: March 27, 2020
 Scheduled date for start of dividend payment: March 27, 2020
 Supplementary explanatory materials created for accounts? Yes/No: No
 Accounts briefing meeting held? Yes/No: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for fiscal year ended December 2019 (from January 1, 2019 to December 31, 2019)

(1) Consolidated operating results (% figures show the rate of increase (decrease) compared with the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended Dec. 2019	72,106	32.7	12,912	11.7	11,810	12.5	8,155	12.9
Fiscal year ended Dec. 2018	54,325	21.5	11,561	64.2	10,498	75.3	7,226	32.4

Note: Comprehensive income

Fiscal year ended Dec. 2019: 8,405 million yen [16.6%] Fiscal year ended Dec. 2018: 7,211 million yen [32.2%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Fiscal year ended Dec. 2019	119.17	118.93	26.8	9.7	17.9
Fiscal year ended Dec. 2018	105.98	105.48	29.6	10.7	21.3

Reference: Share of profit (loss) of entities accounted for using equity method

Fiscal year ended Dec. 2019: -33 million yen Fiscal year ended Dec. 2018: -million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
Fiscal year ended Dec. 2019	132,696	33,546	25.3	490.08
Fiscal year ended Dec. 2018	109,747	27,359	24.9	400.47

Reference: Equity

Fiscal year ended Dec. 2019: 33,544 million yen Fiscal year ended Dec. 2018: 27,358 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended Dec. 2019	122	(4,770)	10,501	22,413
Fiscal year ended Dec. 2018	(7,123)	223	12,818	16,563

2. Dividends

	Annual dividend					Total dividend amount (Total) million yen	Dividend payout ratio (Consolidated) %	Dividend on equity (Consolidated) %
	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	2,209	30.2	8.9
Fiscal year ended Dec. 2019	—	0.00	—	36.00	36.00	2,490	30.2	8.1
Fiscal year ending Dec. 2020 (Forecast)	—	0.00	—	38.00	38.00		30.6	

3. Consolidated earnings forecast for fiscal year ending December 2020 (from January 1, 2020 to December 31, 2020)
 (% figures for the full fiscal year show the rate of increase (decrease) compared with the previous fiscal year, 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	54,000	78.6	9,500	39.9	9,000	45.2	6,200	44.4	90.58
Full fiscal year	86,000	19.3	13,300	3.0	12,300	4.1	8,500	4.2	124.18

* Explanatory notes

- (1) Changes in significant subsidiaries during fiscal year
 (Changes in specified subsidiaries resulting in change in scope of consolidation): None
 Newly included: — companies (Company name) —
 Excluded: — companies (Company name) —

- (2) 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

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

1) Number of shares issued and outstanding (including treasury shares) at end of fiscal year	Fiscal year ended Dec. 2019	71,841,887 shares	Fiscal year ended Dec. 2018	71,649,387 shares
2) Number of treasury shares at end of fiscal year	Fiscal year ended Dec. 2019	3,394,700 shares	Fiscal year ended Dec. 2018	3,334,900 shares
3) Average number of shares during fiscal year	Fiscal year ended Dec. 2019	68,433,365 shares	Fiscal year ended Dec. 2018	68,185,053 shares

Note: The number of treasury shares at end of fiscal year includes ES-CON JAPAN shares held in a share-based payment benefits trust for directors and a share-based payment benefits type ESOP trust (fiscal year ended December 2019: 487,200 shares in the share-based payment benefits trust for directors and 233,100 shares in the share-based payment benefits type ESOP trust). In the calculation of the average number of shares during fiscal year, 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 (fiscal year ended December 2019: 721,142 shares).

* Presentation regarding implementation of audit procedures

This summary of accounts is not subject to the audit procedures pursuant to the Financial Instruments and Exchange Act, and audit procedures have not been completed for consolidated financial statements at the time of disclosure of this summary of accounts.

* 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; 1. Overview of Operating Results, etc.; (1) Analysis of Operating Results" on page 3.

1. Overview of Operating Results, etc.

(1) Analysis of Operating Results

In the consolidated fiscal year under review (fiscal year ended December 2019), the outlook of Japanese economy remains clouded 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 the downside risk in the Chinese economy and the issue of Brexit, in addition to the effects of 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 have proactively developed multifaceted businesses in the current fiscal year as the final fiscal year of the second medium-term management plan “IDEAL to REAL 2019” set for the period of three years from the fiscal year ended December 2017 to the fiscal year ended December 2019. Our efforts resulted in performance that accompanied figures substantially higher than the initially planned targets and management that is generally in line with the plans.

1) Status of Implementation of Growth Strategy of ESCON JAPAN REIT Investment Corporation

a. Support Agreement with Chuden Real Estate Co., Inc.

Investment units issued by ESCON JAPAN REIT Investment Corporation (hereinafter the “EJR”), of which asset management is entrusted to ES-CON Asset Management Ltd. (hereinafter the “EAM”), a consolidated subsidiary of ES-CON JAPAN, were listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market in February 2019. EJR 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 fully supports enhancement of earnings and stable growth of EJR as a sponsor and aims for further growth.

As one of the growth strategies of EJR, a support agreement was concluded among three companies namely Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”), EJR and EAM.

The support agreement covers a wide range of support including warehousing function, and ES-CON JAPAN believes that the growth of EJR as well as a synergy effect with Chubu Electric Power Group in real estate business can be achieved also by ES-CON JAPAN, the sponsor, by utilizing the creditworthiness of Chuden Real Estate and its know-how in real estate business. A sale and purchase agreement was concluded in November 2019 for the transfer of real estate for sale (Tonarie Yamatotakada (50% quasi-co-ownership interest), tonarie Toga-Mikita (50% quasi-co-ownership interest) commercial leasehold land in Omihachiman City, Shiga, commercial leasehold land in Muko City, Kyoto, commercial leasehold land in Ikoma-gun, Nara) owned by ES-CON JAPAN to Chuden Real Estate utilizing temporary warehousing function with a precondition to transfer the real estate to EJR, based on the support agreement.

EJR expects that the addition of the support from Chuden Real Estate to that from ES-CON JAPAN, which is the sponsor support company that has already concluded the agreement, and Chubu Electric Power Co., Inc. (hereinafter “Chubu Electric Power”), which is the support company, will significantly contribute to the further growth of EJR.

b. Acquisition of External Credit Rating of “A-”

EJR acquired a credit rating of “A-” (rating outlook: stable) from Rating and Investment Information, Inc. (R&I) in November 2019. As a sponsor of EJR, ES-CON JAPAN will continue to aim for mutual growth by supporting the external growth of EJR both qualitatively and quantitatively through continuous and stable provision of properties.

2) Business Development in the Chubu Region

ES-CON JAPAN concluded a capital and 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 also a site of its second condominium in Higashi Ward, Nagoya City in September 2019. ES-CON JAPAN is planning to launch a joint project

with Chuden Real Estate with regard to the first site, and is steadily implementing business development in the Chubu region as such.

ES-CON JAPAN intends to develop the business to contribute to regional revitalization in the Chubu region while continuing to strengthen the partnership with each group company of Chubu Electric Power.

3) Development of Community-based Shopping Center under “tonarie” Brand and Revitalization of Communities

“tonarie Toga-Mikita,” a community-based commercial facility developed by ES-CON JAPAN in Minami Ward, 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.

Furthermore, ES-CON JAPAN plans to acquire “LaLasquare Utsunomiya,” a commercial facility located a 1-minute walk from the west exit of JR Utsunomiya Station, and open it as “tonarie Utsunomiya” in February 2020. The facility will be the first commercial facility operated by ES-CON JAPAN in the Kanto area under its community-based shopping center brand “tonarie.”

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 Two 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 development is expected as a commuter region for central Tokyo and is believed to contribute to greater business expansion in the metropolitan area.

5) Overseas Investment Business

In March 2019, ES-CON JAPAN made a commitment to invest in a Hawaii-focused closed-end real estate investment fund as its new overseas business. In July 2019, ES-CON JAPAN established its subsidiary ESCON JAPAN (Thailand) CO., LTD. in Thailand, and participated in a joint development project for a condominium (total of 474 units) in excellent location close to central Bangkok. As such, ESCON JAPAN has embarked on development of its overseas business.

6) Status of ESG Initiatives

ES-CON JAPAN has set the “Creation of New Value and Realization of Sustainable Growth through ESG Promotion” as one of the growth strategies in its second medium-term management plan “IDEAL to REAL 2019.” As part of such activity, it participated in the Global Real Estate Sustainability Benchmark (hereinafter “GRESB”) Real Estate “Developer Assessment,” which is an annual benchmark assessment measuring ESG consideration in the real estate sector, and acquired “Green Star” rating receiving high marks in both “Management & Policy” and “Implementation & Measurement” for its efforts on environmental consideration and sustainability. Moreover, ES-CON JAPAN received “2 Stars” in GRESB Rating, which is a five-grade evaluation system that reflects applicant’s relative evaluation based on total GRESB Score. ES-CON JAPAN was the first Japanese business company to receive “Green Star” and “2 Stars” in GRESB Real Estate “Developer Assessment.”

ES-CON JAPAN has thus far involved in the development of condominiums supporting environmentally-friendly Net Zero Energy House (ZEH) as well as in the joint research regarding environmental designing standards, etc. with Professor Inoue’s research lab at Tokyo University of Science. In addition, “Le JADE Okurayama,” which is a newly built condominium handled by ES-CON JAPAN in Yokohama City, Kanagawa Prefecture, was adopted in the “Fiscal 2019 High-rise ZEH-M Support Project” of the Ministry of the Environment for the first time among ES-CON JAPAN’s projects in September 2019.

Furthermore, as part of the ESG activities, ES-CON JAPAN donated a 10 million yen grant to support dissemination of “WT1 cancer vaccine” and development of “WT1 cancer prevention vaccine” pressed ahead by Professor Haruo Sugiyama (a specially appointed professor at Osaka University Graduate School of Medicine).

Going forward, ES-CON JAPAN will continue to steadily promote ESG as its important management strategy and proactively implement measures to realize sustainable growth of the company.

7) Business Development by Segment

- a. In the real estate sales business, which is our core business, we conducted income-generating real estate sales, etc., and made steady progress in condominium sales, too.

In the real estate sales business, sales of new projects “Grand Le JADE Shukugawa Residence (Nishinomiya City, Hyogo Prefecture; 13 units in total),” “Le JADE Ikeda Masumicho (Ikeda City, Osaka Prefecture; 35 units in total),” “Le JADE Morinomiya (Higashinari Ward, Osaka City; 45 units in total),” “Le JADE Okurayama (Kohoku Ward, Yokohama City; 25 units in total),” etc. started while “Le JADE Sumakaihin Koen (Suma Ward, Kobe City; 30 units in total),” “Grand Le JADE Takatsuki Tenjin (Takatsuki City, Osaka Prefecture; 28 units in total),” “Le JADE Takatsuki Kosobe (Takatsuki City, Osaka Prefecture; 181 units in total),” “Le JADE Shinkanaoka Park Fields (Kita Ward, Sakai City; 204 units in total)” and “Le JADE Otsu LUXE (Otsu City, Shiga Prefecture; 35 units in total)” were sold out upon completion and “Le JADE Kuzuha (Hirakata City, Osaka Prefecture; 78 units in total),” “Le JADE Higashisumiyoshi Imagawa Ryokudo (Higashisumiyoshi Ward, Osaka City; 41 units in total)” and “Le JADE Kotoen (Nishinomiya City, Hyogo Prefecture; 49 units in total),” which are 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 3 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. In addition, ES-CON JAPAN acquired “Oh!Me OTSU TERRACE,” a commercial facility in Otsu City, Shiga Prefecture, in October 2019, and has proactively worked on value enhancement of commercial facilities under operation and redevelopment projects.

In the logistics development business, ES-CON JAPAN launched a new logistics facility brand “LOGITRES” and completed the first facility “LOGITRES Tojo (Kato City, Hyogo Prefecture)” in September 2019. In the office development business, ES-CON JAPAN acquired land for business in Chiyoda Ward, Tokyo, etc. and is steadily promoting diversification of its business through measures such as development of new business fields with an eye on the next era and globalization.

- 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, business performance for the fiscal year ended December 2019 was net sales of 72,106 million yen (up 32.7% compared with the previous fiscal year), operating income of 12,912 million yen (up 11.7% compared with the previous fiscal year), ordinary income of 11,810 million yen (up 12.5% compared with the previous fiscal year) and profit attributable to owners of parent of 8,155 million yen (up 12.9% compared with the previous fiscal year).

The following is the business performance by segment.

1) Real estate sales business

In the real estate sales business, activities including sales of condominiums and revenue-generating real estate resulted in net sales of 66,710 million yen (up 32.1% compared with the previous fiscal year) and segment income of 13,802 million yen (up 11.8% compared with the previous fiscal 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 5,022 million yen (up 47.7%) and segment income of 3,001 million yen (up 41.0%).

3) Real estate planning agency and consulting business

In the real estate planning agency and consulting business, 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, resulting in net sales of 372 million yen (down 8.2% compared with the previous fiscal year) and segment income of 286 million yen (down 22.2% compared with the previous fiscal year).

(Earnings Outlook for the Next Fiscal Year and Progress of Medium-Term Management Plan)

ES-CON JAPAN has established the third medium-term management plan “IDEAL to REAL 2022” for the three-year period from the fiscal year ending December 2020 to the fiscal year ending December 2022, in order to further advance in the next stage and realize stable growth. For an outline of the second medium-term management plan, please see “Attachment 2; Management Policy; (2) Medium- to Long-Term Corporate Management Strategy and Management Indicator Targets” on page 20.

In light of the above, the consolidated earnings forecasts for the fiscal year ending December 2020, the fiscal year ending December 2021 and the fiscal year ending December 2022 are net sales of 86,000 million yen, 100,000 million yen, and 110,000 million yen, as well as operating income of 13,300 million yen, 14,000 million yen and 15,200 million yen, respectively.

Please note that the earnings forecast or outlook and other forward-looking statements contained in this document are an analysis or judgment based on information available as of the date of this document. Accordingly, actual business performance and other results may differ materially due to changes in the management environment and other various reasons.

(2) Analysis of Financial Position

1) Assets, liabilities and net assets

Assets at the end of the fiscal year ended December 2019 increased by 22,949 million yen compared with the end of the previous fiscal year to 132,696 million yen. This was mainly attributable to cash and deposits increasing by 5,912 million yen, inventories increasing by 11,066 million yen and land increasing by 2,092 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 16,762 million yen in comparison with the end of the previous fiscal year to 99,149 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds increasing by 14,392 million yen.

Net assets increased by 6,187 million yen in comparison with the end of the previous fiscal year to 33,546 million yen. This was attributable to recording profit attributable to owners of parent of 8,155 million yen against dividends of surplus paid of 2,209 million yen and purchase of treasury shares of 40 million yen. As a result, the equity ratio was 25.3% (24.9% at the end of the previous fiscal year).

2) Cash flows

Cash and cash equivalents ("net cash") in the fiscal year ended December 2019 increased by 5,849 million yen compared with the end of the previous fiscal year to 22,413 million yen (16,563 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 2019.

(Cash flows from operating activities)

Cash flows from operating activities in the fiscal year ended December 2019 amounted to net cash provided by operating activities of 122 million yen (net cash used in operating activities of 7,123 million yen in the previous fiscal year). This was mainly attributable to recording profit before income taxes of 11,803 million yen and increase in inventories of 10,179 million yen.

(Cash flows from investing activities)

Cash flows from investing activities in the fiscal year ended December 2019 amounted to net cash used in investing activities of 4,770 million yen (net cash provided by investing activities of 223 million yen in the previous fiscal year). This was mainly attributable to purchase of investment securities of 1,641 million yen and purchase of non-current assets of 3,295 million yen.

(Cash flows from financing activities)

Cash flows from financing activities in the fiscal year ended December 2019 amounted to net cash provided by financing activities of 10,501 million yen (net cash provided by financing activities of 12,818 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 12,793 million yen, cash dividends paid of 2,207 million yen and payments due to purchase of treasury shares of 40 million yen.

Reference: Changes in cash flow indicators

	Fiscal year ended Dec. 2015	Fiscal year ended Dec. 2016	Fiscal year ended Dec. 2017	Fiscal year ended Dec. 2018	Fiscal year ended Dec. 2019
Equity ratio (%)	24.1	23.6	24.8	24.9	25.3
Equity ratio on market capitalization basis (%)	31.7	41.9	54.0	42.2	50.7
Ratio of interest-bearing liabilities to cash flows (%)	—	—	—	—	—
Interest coverage ratio (times)	—	—	—	—	0.1

Equity ratio: $\text{Equity} \div \text{Total assets}$

Equity ratio on market capitalization basis: $\text{Market capitalization} \div \text{Total assets}$

Ratio of interest-bearing liabilities to cash flows: $\text{Interest-bearing liabilities} \div \text{Operating cash flows}$

Interest coverage ratio: $\text{Operating cash flows} \div \text{Interest paid}$

Notes: 1. Each is calculated using consolidated financial figures.

2. Market capitalization is calculated by multiplying the closing share price at end of fiscal year by the number of shares issued and outstanding at end of fiscal year.
3. Operating cash flows are the cash flows from operating activities on the consolidated statement of cash flows.
4. Interest-bearing liabilities are all of those liabilities recorded on the consolidated balance sheet of which are liabilities on which interest is payable.
5. Interest paid is the interest expenses paid on the consolidated statement of cash flows.
6. Ratio of interest-bearing liabilities to cash flows and interest coverage ratio are not stated for fiscal years that have negative operating cash flows.

(3) Basic Policy on Distribution of Profit, and Dividend for the Current Fiscal Year and Next Fiscal Year

Positioning the return of profit to shareholders as a key management task, ES-CON JAPAN makes it a basic policy to strive for uninterrupted and stable return of profit in line with corporate growth potential based on decisions that take into account the status of business performance, availability of internal reserves, dividend payout ratio and other factors in a comprehensive manner.

ES-CON JAPAN has introduced a progressive dividend policy to “not decrease the dividend amount, but rather only maintain or increase the dividend amount” in principle with DPS of the previous fiscal year as the minimum amount, for the period of the second medium-term management plan. ES-CON JAPAN intends to continue adopting the progressive dividend policy in the third medium-term management plan and work to improve transparency of the future dividend level, further increase return of profit to shareholders and enhance corporate value continuously while realizing stable distribution.

For the year-end dividend for the fiscal year ended December 2019, which is the final fiscal year of the second medium-term management plan, ES-CON JAPAN plans to pay dividend of 36 yen per share with an increase of 1 yen from the initial forecast of 35 yen per share. The dividend payout ratio is 30.2%.

For the fiscal year ending December 2020, the dividend forecast is 38 yen per share.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2018 (as of Dec. 31, 2018)	Fiscal year ended Dec. 2019 (as of Dec. 31, 2019)
Assets		
Current assets		
Cash and deposits	16,598	22,511
Notes and accounts receivable - trade	491	598
Real estate for sale	15,308	24,234
Deferred tax assets	65,890	59,619
Other	6,353	7,173
Total current assets	104,642	114,137
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,459	3,216
Accumulated depreciation	(462)	(566)
Buildings and structures, net	997	2,649
Vehicles	—	7
Accumulated depreciation	—	(6)
Vehicles, net	—	1
Land	623	10,621
Leased assets	9	4
Accumulated depreciation	(6)	(3)
Leased assets, net	2	1
Construction in progress	—	0
Other	142	281
Accumulated depreciation	(107)	(122)
Other, net	35	159
Total property, plant and equipment	1,658	13,433
Intangible assets		
Goodwill	—	436
Other	30	56
Total intangible assets	30	492
Investments and other assets		
Investment securities	2,077	2,711
Deferred tax assets	359	662
Other	1,016	1,296
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	3,415	4,632
Total non-current assets	5,104	18,558
Total assets	109,747	132,696

(Unit: million yen)

	Fiscal year ended Dec. 2018 (as of Dec. 31, 2018)	Fiscal year ended Dec. 2019 (as of Dec. 31, 2019)
Liabilities		
Current liabilities		
Short-term loans payable	1,720	4,580
Current portion of long-term loans payable	23,993	32,415
Current portion of bonds	40	40
Lease obligations	0	1
Accounts payable - other	1,731	2,097
Income taxes payable	1,448	3,396
Advances received	3,051	2,809
Deposits received	4,933	4,733
Asset retirement obligations	33	—
Other	255	126
Total current liabilities	37,210	50,199
Non-current liabilities		
Bonds payable	270	230
Long-term loans payable	44,568	47,720
Lease obligations	1	0
Deferred tax liabilities	—	2
Provision for directors' share-based benefits	97	114
Provision for share-based benefits	30	35
Asset retirement obligations	77	249
Other	130	597
Total non-current liabilities	45,176	48,950
Total liabilities	82,387	99,149
Net assets		
Shareholders' equity		
Capital stock	6,259	6,275
Capital surplus	1,988	2,004
Retained earnings	20,310	26,256
Treasury shares	(1,207)	(1,247)
Total shareholders' equity	27,352	33,288
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	256
Foreign currency translation adjustment	—	(0)
Total accumulated other comprehensive income	6	256
Subscription rights to shares	1	1
Non-controlling interests	—	0
Total net assets	27,359	33,546
Total liabilities and net assets	109,747	132,696

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

(Unit: million yen)

	Fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal year ended Dec. 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Net sales	54,325	72,106
Cost of sales	37,397	52,339
Gross profit	16,927	19,767
Selling, general and administrative expenses		
Advertising expenses	1,965	2,218
Sales commission	459	726
Directors' compensations	190	210
Salaries and allowances	1,126	1,375
Provision for directors' share-based benefits	28	16
Provision for share-based benefits	12	5
Commission fee	373	388
Taxes and dues	328	639
Other	881	1,273
Total selling, general and administrative expenses	5,366	6,854
Operating income	11,561	12,912
Non-operating income		
Interest income	0	5
Dividend income	2	35
Cancellation income	12	30
Reversal of allowance for doubtful accounts	—	8
Other	2	4
Total non-operating income	17	84
Non-operating expenses		
Interest expenses	1,020	1,143
Share of loss of entities accounted for using equity method	—	33
Other	60	9
Total non-operating expenses	1,080	1,186
Ordinary income	10,498	11,810
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	5	7
Impairment loss	47	—
Total extraordinary losses	52	7
Profit before income taxes	10,445	11,803
Income taxes - current	1,604	4,057
Income taxes - deferred	1,615	(409)
Total income taxes	3,219	3,648
Profit	7,226	8,155
Profit attributable to owners of parent	7,226	8,155

(Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	Fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal year ended Dec. 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Profit	7,226	8,155
Other comprehensive income		
Valuation difference on available-for-sale securities	(14)	250
Foreign currency translation adjustment	—	(0)
Total other comprehensive income	(14)	250
Comprehensive income	7,211	8,405
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	7,211	8,405
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statement of Changes in Equity

Fiscal year ended December 2018 (from January 1, 2018 to December 31, 2018)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,224	1,953	14,322	(1,089)	21,411
Changes of items during period					
Issuance of new shares	35	35			70
Dividends of surplus			(1,238)		(1,238)
Profit attributable to owners of parent			7,226		7,226
Purchase of treasury shares				(131)	(131)
Disposal of treasury shares				13	13
Net changes of items other than shareholders' equity					
Total changes of items during period	35	35	5,987	(117)	5,940
Balance at end of current period	6,259	1,988	20,310	(1,207)	27,352

(Unit: million yen)

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	20	—	20	1	21,433
Changes of items during period					
Issuance of new shares					70
Dividends of surplus					(1,238)
Profit attributable to owners of parent					7,226
Purchase of treasury shares					(131)
Disposal of treasury shares					13
Net changes of items other than shareholders' equity	(14)	—	(14)	0	(14)
Total changes of items during period	(14)	—	(14)	0	5,926
Balance at end of current period	6	—	6	1	27,359

Fiscal year ended December 2019 (from January 1, 2019 to December 31, 2019)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	6,259	1,988	20,310	(1,207)	27,352
Changes of items during period					
Issuance of new shares	15	15			30
Dividends of surplus			(2,209)		(2,209)
Profit attributable to owners of parent			8,155		8,155
Purchase of treasury shares				(40)	(40)
Disposal of treasury shares				0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	15	15	5,945	(40)	5,936
Balance at end of current period	6,275	2,004	26,256	(1,247)	33,288

(Unit: million yen)

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	6	—	6	1	—	27,359
Changes of items during period						
Issuance of new shares						30
Dividends of surplus						(2,209)
Profit attributable to owners of parent						8,155
Purchase of treasury shares						(40)
Disposal of treasury shares						0
Net changes of items other than shareholders' equity	250	(0)	250	(0)	0	250
Total changes of items during period	250	(0)	250	(0)	0	6,187
Balance at end of current period	256	(0)	256	1	0	33,546

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal year ended Dec. 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	10,445	11,803
Depreciation	80	176
Impairment loss	47	—
Amortization of goodwill	—	48
Increase (decrease) in allowance for doubtful accounts	33	—
Increase (decrease) in provision for directors' share-based benefits	15	16
Increase (decrease) in provision for share-based benefits	12	5
Interest and dividend income	(2)	(40)
Interest expenses	1,020	1,143
Foreign exchange losses (gains)	—	(8)
Share of loss (profit) of entities accounted for using equity method	—	33
Loss on retirement of non-current assets	5	7
Decrease (increase) in notes and accounts receivable - trade	5	(84)
Decrease (increase) in inventories	(16,489)	(10,179)
Decrease (increase) in prepaid expenses	(475)	55
Increase (decrease) in accounts payable - other	111	135
Decrease/increase in consumption taxes receivable/payable	(45)	(239)
Increase (decrease) in advances received	1,584	(246)
Increase (decrease) in deposits received	(220)	95
Decrease (increase) in other assets	(1,548)	638
Increase (decrease) in other liabilities	(1)	75
Subtotal	(5,421)	3,436
Interest and dividend income received	2	40
Interest expenses paid	(1,085)	(1,109)
Income taxes (paid) refund	(619)	(2,245)
Net cash provided by (used in) operating activities	(7,123)	122
Cash flows from investing activities		
Payments into time deposits	(18)	(18)
Proceeds from withdrawal of time deposits	18	18
Purchase of investment securities	(180)	(1,641)
Proceeds from withdrawal of investment securities	21	516
Purchase of non-current assets	(443)	(3,295)
Proceeds from sales of non-current assets	83	61
Payments for asset retirement obligations	—	(3)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(310)
Payments of loans receivable	(37)	(300)
Collection of loans receivable	0	0
Proceeds from guarantee deposits received	1,578	1,130
Repayments of guarantee deposits received	(782)	(927)
Payments for investments in capital	(17)	—
Net cash provided by (used in) investing activities	223	(4,770)

(Unit: million yen)

	Fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Dec. 31, 2018)	Fiscal year ended Dec. 2019 (from Jan. 1, 2019 to Dec. 31, 2019)
Cash flows from financing activities		
Increase in short-term loans payable	7,581	6,714
Decrease in short-term loans payable	(7,814)	(5,220)
Proceeds from long-term loans payable	38,884	44,231
Repayments of long-term loans payable	(24,659)	(32,930)
Proceeds from issuance of bonds	200	—
Redemption of bonds	(40)	(40)
Repayments of lease obligations	(1)	(0)
Repayments of installment payables	(33)	(34)
	70	30
Proceeds from issuance of common shares	—	0
Purchase of treasury shares	(131)	(40)
Cash dividends paid	(1,237)	(2,207)
Net cash provided by (used in) financing activities	12,818	10,501
	—	(3)
Net increase (decrease) in cash and cash equivalents	5,918	5,849
Cash and cash equivalents at beginning of period	10,644	16,563
Cash and cash equivalents at end of period	16,563	22,413

(5) Notes to Consolidated Financial Statements
 (Notes on Going Concern Assumption)
 Not applicable.

(Segment Information, etc.)

I. Fiscal Year Ended December 2018 (from January 1, 2018 to December 31, 2018)

1. Information on Net Sales, Income or Loss, Assets and Other Item Amounts by Reporting Segment

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	50,519	3,400	405	54,325	—	54,325
Intersegment net sales or transfers	—	—	—	—	—	—
Total	50,519	3,400	405	54,325	—	54,325
Segment income	12,341	2,128	369	14,839	(3,277)	11,561
Segment assets	85,641	6,265	17	91,924	17,822	109,747
Other items						
Depreciation	—	36	—	36	43	80
Amount of investment in entities accounted for using equity method	—	1,039	—	1,039	—	1,039
Increase in property, plant and equipment and intangible assets	—	5	—	5	43	49

(Note 1) Reconciliations are as follows:

- (1) The reconciliation of segment income of -3,277 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.
- (2) The reconciliation of segment assets of 17,822 million yen is mainly surplus operating funds (cash and deposits), administrative assets, etc. not attributable to reporting segments.
- (3) The reconciliation of depreciation of 43 million yen is depreciation on corporate assets not attributable to reporting segments.
- (4) The reconciliation of increase in property, plant and equipment and intangible assets of 43 million yen is increase in corporate assets not attributable to reporting segments.

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

2. Information on Impairment Loss on Non-Current Assets by Reporting Segment

(Unit: million yen)

	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Elimination and/or corporate	Total
Impairment loss	—	—	—	47	47

II. Fiscal Year Ended December 2019 (from January 1, 2019 to December 31, 2019)

1. Information on Net Sales, Income or Loss, Assets and Other Item Amounts by Reporting Segment

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	66,710	5,022	372	72,106	—	72,106
Intersegment net sales or transfers	—	—	—	—	—	—
Total	66,710	5,022	372	72,106	—	72,106
Segment income	13,802	3,001	286	17,091	(4,178)	12,912
Segment assets	90,633	17,216	2	107,852	24,843	132,696
Other items						
Depreciation	—	105	—	105	71	176
Amortization of goodwill	48	—	—	48	—	48
Amount of investment in entities accounted for using equity method	417	—	—	417	—	417
Increase in property, plant and equipment and intangible assets	485	2,824	—	3,309	577	3,886

(Note 1) Reconciliations are as follows:

- (1) The reconciliation of segment income of -4,178 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.
- (2) The reconciliation of segment assets of 24,843 million yen is mainly surplus operating funds (cash and deposits), administrative assets, etc. not attributable to reporting segments.
- (3) The reconciliation of depreciation of 71 million yen is depreciation on corporate assets not attributable to reporting segments.
- (4) The reconciliation of increase in property, plant and equipment and intangible assets of 577 million yen is increase in corporate assets not attributable to reporting segments.

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

2. Information on Impairment Loss on Non-Current Assets by Reporting Segment

Not applicable.

3. Other

Results of Contracts and Sales

The performance of contracts in the real estate sales business for the fiscal year ended December 2019 is as follows:

Classification	Fiscal year ended Dec. 2019 (from Jan. 1, 2019 to Dec. 31, 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.	618	27,481	415	17,533
Other	—	33,215	—	25,792
Total	618	60,696	415	43,325

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

The main performance of sales for the most recent two fiscal years is as follows:

Name of segment	Fiscal year ended Dec. 2018 (from Jan. 1, 2018 to Dec. 31, 2018)			Fiscal year ended Dec. 2019 (from Jan. 1, 2019 to Dec. 31, 2019)		
	Property name	Number of units (units)	Amount (million yen)	Property name	Number of units (units)	Amount (million yen)
Real estate sales business Real estate leasing business	Condominiums	539	25,089	Condominiums	648	28,529
	Chiyoda-ku Hayabusa-cho	—	4,600	Chuo-ku Minamisenba I	—	6,580
	Kitakyuhojimachi, Chuo-ku	—	3,450	North Nagoya PareMarche Nishiharu	—	4,610
	Chuo-ku Awajicho I	—	3,420	Genboen, Koga-shi, Fukuoka Prefecture	—	4,273
	Chuo-ku Awajicho II	—	3,420	Chuo-ku Awajicho III	—	4,000
	Tsurunocho, Kita-ku, Osaka-shi	—	2,910	Suginami-ku Shimotakaido	—	3,800
	Horikawashinmachi, Kanazawa-shi	—	2,030	Asumigaoka Brand New Mall	—	3,200
	Wakamatsucho 31, Shinjuku-ku	—	1,968	K's Denki Oyumino	—	2,710
	Chuo-ku Minamisenba III	—	1,850	Nagahoribashi Station-front	—	2,100
	5-chome, Sendagaya, Shibuya-ku	—	1,317	Chiyoda-ku Sanbancho	—	2,034
	Fukuoka Kasuga	—	413	Detached house	—	1,468
	Other	—	50	Mitani, Nishi-ku, Kobe-shi	—	1,430
				Sakai-shi Daisen Nishi II	—	946
				Nishishiroy Ekimae	—	451
			Fukuoka Kasuga	—	401	
			Other	—	175	
	Subtotal	539	50,519	Subtotal	648	66,710
Real estate planning agency and consulting business			3,400			5,022
Real estate sales business			405			372
	Total		54,325	Total		72,106

(Note 1) There are no transactions between segments.

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

Attachment 2

Management Policy

(1) Basic Policy on Corporate Management

How should we live each day and participate in society, how can we contribute to society, and how can we achieve the happiness we seek as individual human beings through the benefits that our contribution brings to society? The ES-CON JAPAN Group strives to answer these questions by continually providing meaningful opportunities to its employees to help and encourage each other in the achievement of their full potential as individuals while experiencing the joy of contribution to society through their work. This is the management philosophy of the ES-CON JAPAN Group, the realization of which is pursued by setting and striving to realize the following management policy.

- 1) To create new value that will truly satisfy customers by unleashing the infinite possibilities of real estate through information, planning and product development abilities.
- 2) To constantly strive to remain ahead of the competition through aggressive management combined with strong defensive strategies centering on in-depth control of ROA, cash flows and risk.
- 3) To aim to be small teams of highly skilled professionals in order to maintain the ability to adapt quickly and flexibly in today's rapidly changing social environment.
- 4) To build and maintain good cooperative relationships, both internally and externally, based on respect for and gratitude to colleagues and those in other organizations.
- 5) To form an open organizational structure in which ideas can flow freely from front-line staff to senior management, while also enhancing the internal audit system, with compliance and governance in mind.

(Corporate Branding Concept)

IDEAL to REAL ~Making the ideal real, and creating a new future~

Our aim as a life developer is to develop tangible properties as well as imagine and develop happy living for the people who will live there. With new unprecedented and think-outside-the-box approaches, we aim to create new wealth and connect people, communities and the future. We will strive to make the ideal real by exploring the infinite possibilities of real estate.

(2) Medium- to Long-Term Corporate Management Strategy and Management Indicator Targets

Under the second medium-term management plan "IDEAL to REAL 2019," ES-CON JAPAN proactively pressed ahead with projects and achieved results that significantly surpassed the initial plans. Management targets have been mostly met, and although the equity ratio target has not been achieved, ES-CON JAPAN has been proactively purchasing properties against the backdrop of credibility gained through the business partnership with Chubu Electric Power.

In order to further advance in the next stage and realize stable growth, ES-CON Japan Group established the third medium-term management plan "IDEAL to REAL 2022" for the three-year period from the fiscal year ending December 2020 to the fiscal year ending December 2022.

1. Basic Policy of "IDEAL to REAL 2022"

Aim to maximize corporate value by setting on track "management stability and sustainable growth" and also accurately addressing the diversifying social issues through promotion of ESG initiatives.

2. Corporate Strategy

- (1) Management stability and sustainable growth
 - (i) Diversify businesses
 - (ii) Stabilize revenue structure by securing stock revenue bases
 - (iii) Exert synergistic effects with the Chubu Electric Power Group
 - (iv) External growth of ESCON JAPAN REIT Investment Corporation (EJR)
- (2) Address social issues through promotion of ESG initiatives
- (3) Return to shareholders

3. Performance Targets

(Unit: million yen)

	Fiscal year ended Dec. 2017	Fiscal year ended Dec. 2018	Fiscal year ended Dec. 2019		
			Plan	Actual	Compared with plan
Net sales	44,724	54,325	74,800	72,106	-2,693
Real estate sales business	41,168	50,519	70,250	66,710	-3,539
Real estate leasing business	3,459	3,400	4,300	5,022	+722
Real estate planning agency and consulting business	96	405	250	372	+122
Operating income	7,042	11,561	12,500	12,912	+412
Ordinary income	5,988	10,498	11,200	11,810	+610

4. Management Targets

	Fiscal year ended Dec. 2017	Fiscal year ended Dec. 2018	Fiscal year ended Dec. 2019		
			Plan	Actual	Compared with plan
Equity ratio	24.8%	24.9%	22.6%	25.3%	+2.7%
Return on equity (ROE)	28.1%	29.6%	25.9%	26.8%	+0.9%
Return on assets (ROA)	6.8%	7.4%	6.1%	6.7%	+0.6%
Return on invested capital (ROIC) (Note)	8.4%	10.2%	6.9%	7.5%	+0.6%
Earnings per share (EPS)	81.77 yen	105.98 yen	115.10 yen	119.17 yen	+4.07 yen

(Note) Return on invested capital (ROIC): After-tax operating income ÷ (Shareholders' equity + Interest-bearing liabilities)