



## Summary of Accounts for Term Ended December 2015 (Japanese GAAP) (Consolidated)

February 12, 2016

Name of listed company: ES-CON JAPAN Ltd. Listing exchange: Tokyo Stock Exchange  
 Code: 8892 URL: <http://www.es-conjapan.co.jp>  
 Representative: (Name) Takatoshi Ito (Position) President & Representative Director  
 Contact for inquiries: (Name) Minoru Nakanishi (Position) Executive Director TEL: 06 (6223) 8055  
 Scheduled date for next regular general meeting of shareholders: March 25, 2016  
 Scheduled date for submission of periodic securities report: March 28, 2016  
 Scheduled date for start of dividend payment: March 28, 2016  
 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 term ended December 2015 (from January 1, 2015 to December 31, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Term ended Dec. 2015	27,705	47.0	4,012	42.5	3,126	50.7	3,039	26.0
Term ended Dec. 2014	18,842	39.0	2,815	52.6	2,075	72.9	2,411	26.6

Note: Comprehensive income  
 Term ended Dec. 2015: 3,039 million yen[26.0%] Term ended Dec. 2014: 2,411 million yen[26.6%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Term ended Dec. 2015	44.65	44.50	23.7	5.8	14.5
Term ended Dec. 2014	34.59	34.38	22.7	4.4	14.9

Reference: Share of profit (loss) of entities accounted for using equity method  
 Term ended Dec. 2015: – million yen Term ended Dec. 2014: – million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
Term ended Dec. 2015	58,088	13,994	24.1	208.28
Term ended Dec. 2014	50,141	11,656	23.2	169.05

Reference: Equity  
 Term ended Dec. 2015: 13,989 million yen Term ended Dec. 2014: 11,648 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
Term ended Dec. 2015	(3,877)	61	3,683	4,214
Term ended Dec. 2014	(1,803)	(1,041)	3,368	4,347

### 2. Dividends

	Annual dividend					Total dividend amount (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Term ended Dec. 2014	–	0.00	–	3.00	3.00	206	8.7	2.0
Term ended Dec. 2015	–	0.00	–	8.00	8.00	543	17.9	4.2
Term ending Dec. 2016 (Forecast)	–	0.00	–	12.00	12.00		25.2	

3. Consolidated earnings forecast for term ending December 2016 (from January 1, 2016 to December 31, 2016)

(% 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	13,000	39.9	1,700	26.3	1,200	36.6	1,300	12.4	19.35
Full term	32,700	18.0	4,200	4.7	3,300	5.5	3,200	5.3	47.64

\* Explanatory notes

(1) Changes in significant subsidiaries during term

(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 term	Term ended Dec. 2015	70,511,887 shares	Term ended Dec. 2014	70,317,887 shares
2) Number of treasury shares at end of term	Term ended Dec. 2015	3,342,000 shares	Term ended Dec. 2014	1,413,500 shares
3) Average number of shares during term	Term ended Dec. 2015	68,069,666 shares	Term ended Dec. 2014	69,725,372 shares

Note: The number of treasury shares at end of term includes ES-CON JAPAN shares held in a share-based payment benefits trust for directors and a share-based payment benefits type ESOP trust (term ended December 2015: 554,200 shares in the share-based payment benefits trust for directors and 235,400 shares in the share-based payment benefits type ESOP trust). In the calculation of the average number of shares during term, 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 (term ended December 2015: 581,233 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. Analysis of operating results and financial position; (1) Analysis of operating results" on page 3.

## 1. Analysis of operating results and financial position

### (1) Analysis of operating results

In the consolidated fiscal year under review (term ended December 2015), the Japanese economy was on a moderate recovery trend due in part to the effects of various policies amid an ongoing trend toward improvement in the employment and income situation, yet still in a state of uncertainty due in part to concerns of slowdown in the Chinese economy and other overseas economies.

The real estate industry in which the ES-CON JAPAN Group operates held resilient and firm as a whole due in part to housing acquisition tax break policies and low interest rates, along with ongoing brisk real estate investment market trends. On the other hand, rise in land prices and intensification of competition over land acquisitions, as well as an increasingly apparent rise in sale prices, lead to a clouded outlook that warrants no optimism.

In the business environment described above, the real estate sales business, which is the ES-CON JAPAN Group's core business, was steady as evident by such achievements as securing profit through revenue-generating real estate sales, land planning and sales, etc., completely selling out the large projects with construction completed in the term ended December 2015 "Grand Le JADE Kyoto Kawaramachi" (Nakagyo Ward, Kyoto City) and "The Neverland Akashi Harbor Gate" (Akashi City, Hyogo Prefecture), progress in selling "Le JADE Kasai Resorte/Solario" (Edogawa Ward, Tokyo), "Park JADE Suginami Izumi" (detached housing) (Suginami Ward, Tokyo) and "Park JADE Akatsuka-koen" (detached housing) (Itabashi Ward, Tokyo), and commencing selling several properties in both the Tokyo metropolitan area and Kinki area even for the for-sale projects slated for construction completion in 2016.

In addition, operations are underway for realization of the "life developer" theme set by ES-CON JAPAN, such as "Park JADE Suginami Izumi" based on the concept of "town with pathway garden" winning Good Design Award 2015 and "Le JADE Setagaya Kinuta" (Setagaya Ward, Tokyo), which is slated for construction completion in 2016, to house "Café Apartment 183," which is a café directly managed by the ES-CON JAPAN Group, on the first floor as initiatives for also development of condominiums for sale that offer new value.

In the commercial development business, operations leveraging the commercial development know-how possessed by ES-CON JAPAN are steadily underway, such as acquiring land for sports facility, etc. equipped large commercial facility (future development of a new commercial facility in Yamato Takada City, Nara Prefecture is scheduled) and commercial site projects and being selected as partner in the study of commercialization for land readjustment projects (Tamashima District, Ibaraki City, Osaka Prefecture, and Uehara/Takamuko District, Kawachinagano City, Osaka Prefecture).

In this manner, with ten projects in the Tokyo metropolitan area and seven projects in the Kinki area in acquisitions of new business sites as the site for future sale, commercial and other multifaceted development, 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 commercial facilities held by ES-CON JAPAN, retail tenant in Kasuga City, Fukuoka Prefecture and such.

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 term ended December 2015 was net sales of 27,705 million yen (up 47.0% compared with the previous term), operating income of 4,012 million yen (up 42.5% compared with the previous term), ordinary income of 3,126 million yen (up 50.7% compared with the previous term) and net income of 3,039 million yen (up 26.0% compared with the previous term).

In addition, the listing market was altered from JASDAQ (Standard) on the Tokyo Stock Exchange to the Second Section of the Tokyo Stock Exchange in September 2015. Along with continuing to strive for further business development and enhancement of corporate value, alteration of the listing market to the First Section of the Tokyo Stock Exchange will be aimed as the next step up.

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 six projects of real estate for sale and one project of real estate for sale in process, resulting in net sales of 24,649 million yen (up 51.9% compared with the previous term) and segment income of 3,769 million yen (up 63.5% compared with the previous term).

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 2,857 million yen (up 15.2% compared with the previous term) and segment income of 1,606 million yen (up 8.0% compared with the previous term).

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 best use of planning and multifaceted business building abilities, resulting in net sales of 199 million yen (up 46.2% compared with the previous term) and segment income of 173 million yen (up 33.1% compared with the previous term).

(Earnings outlook for the next term)

The future management environment outlook is that, although expecting economic recovery backed by improvement in corporate earnings and the employment and income situation, there are also downside risks posed by the Chinese and other Asian emerging economies that make it a state that warrants no optimism.

In such an environment, the ES-CON JAPAN Group operates with an aim to achieve the “Make The One for 2016” medium-term management plan for the four-year period from the term ended December 2013 to the term ending December 2016. In the next term (term ending December 2016), which is the final fiscal year of the plan, along with working to attain the targets, proactive operations will be underway that also include challenging new operations in preparation for the next targets.

Concerning the medium-term management plan, the content of the plan was subject to an upward revision in November 2015 to comprehensively account for the status of financial results for the term ended December 2015, the current state of steady progress of businesses and other factors.

In the real estate sales business, delivery of approximately 500 units is planned in the core business of real estate sales. Operations are underway for realization of the “life developer” theme set by ES-CON JAPAN, such as a detached housing for sale in process winning the Good Design Award and housing of a directly-managed café dining on the first floor as initiatives for also development of condominiums for sale that offer new value. In addition, focus will continue to be placed on also the commercial development business.

In the real estate leasing business, along with striving to enhance revenue by heightening the value of assets held, offering of one-stop services will be pursued, such as with consolidated subsidiaries ES-CON PROPERTY Ltd. providing property management services and ES-CON ASSET MANAGEMENT Ltd. providing asset management services. In addition, ES-CON ASSET MANAGEMENT Ltd. is preparing for a REIT listing.

In the real estate planning agency and consulting business, a structure will be established to enable agile business operations in any business environment with planning and consulting, subcontracting and other service offerings by making best use of the planning ability, business building ability and speed that are the strengths of ES-CON JAPAN.

In this manner, every effort will be made to enhance corporate value by promoting multifaceted businesses and aiming to be a corporate group that is consistently required by and contributing to society.

In light of the above, the consolidated earnings forecast for the term ending December 2016 is net sales of 32,700 million yen, operating income of 4,200 million yen, ordinary income of 3,300 million yen and profit attributable to owners of parent of 3,200 million yen.

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 term ended December 2015 increased by 7,947 million yen compared with the end of the previous term to 58,088 million yen. This was mainly attributable to inventories increasing by 9,731 million yen and property, plant and equipment decreasing by 2,689 million yen.

Liabilities increased by 5,609 million yen compared with the end of the previous term to 44,094 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 4,303 million yen.

Net assets increased by 2,337 million yen compared with the end of the previous term to 13,994 million yen. This was mainly attributable to recording net income of 3,039 million yen.

2) Cash flows

Cash and cash equivalents ("net cash") in the term ended December 2015 decreased by 132 million yen compared with the end of the previous term to 4,214 million yen (4,347 million yen at the end of the previous term). The following outlines the cash flows and the factors of changes in cash flows in the term ended December 2015.

(Cash flows from operating activities)

Cash flows from operating activities in the term ended December 2015 amounted to net cash used in operating activities of 3,877 million yen (net cash used in operating activities of 1,803 million yen in the previous term). This was mainly attributable to recording income before income taxes of 3,119 million yen, depreciation (non-cash expense) of 264 million yen and increase in inventories of 7,366 million yen.

(Cash flows from investing activities)

Cash flows from investing activities in the term ended December 2015 amounted to net cash provided by investing activities of 61 million yen (net cash used in investing activities of 1,041 million yen in the previous term). This was mainly attributable to proceeds from and repayments of guarantee deposits received amounting to net proceeds of 133 million yen.

(Cash flows from financing activities)

Cash flows from financing activities in the term ended December 2015 amounted to net cash provided by financing activities of 3,683 million yen (net cash provided by financing activities of 3,368 million yen in the previous term). This was mainly attributable to proceeds from and repayments of long-term loans payable and short-term loans payable amounting to net proceeds of 4,861 million yen, redemption of bonds of 557 million yen and purchase of treasury shares of 509 million yen.

Reference: Changes in cash flow indicators

	Term ended Dec. 2011	Term ended Dec. 2012	Term ended Dec. 2013	Term ended Dec. 2014	Term ended Dec. 2015
Equity ratio (%)	8.1	9.2	21.9	23.2	24.1
Equity ratio on market capitalization basis (%)	2.7	8.1	25.5	26.5	31.7
Ratio of interest-bearing liabilities to cash flows (%)	1,217.4	3,546.7	773.7	—	—
Interest coverage ratio (times)	5.0	1.6	6.1	—	—

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

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 number of shares issued and outstanding at end of term by the closing share price at end of term.
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 term and next term

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.

For the year-end dividend for the term ended December 2015, in accordance with the July 2015 upward revision of the amount, payout of 8 yen per share is scheduled.

For the term ending December 2016, which is the final fiscal year of the medium-term management plan, with return of profit to shareholders in mind, the year-end dividend forecast is 12 yen per share for a dividend payout ratio target of 25.0% or higher.

Additionally, employing the total return ratio as a measure to further enhance return to shareholders, the Board of Directors adopted a resolution on additional purchase of treasury shares at its meeting held in February 2016, leading to return to shareholders of 30.2% of after-tax profit as actual results for the term ended December 2015 and 35.0% for the term ending December 2016 being planned. In this manner, efforts will continue to be made for maximization of corporate value and return to shareholders.

## 2. Consolidated financial statements

### (1) Consolidated balance sheet

(Unit: million yen)

	Term ended Dec. 2014 (as of Dec. 31, 2014)	Term ended Dec. 2015 (as of Dec. 31, 2015)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	4,733	4,516
Notes and accounts receivable - trade	49	85
Operational investment securities	-	547
Real estate for sale	5,054	4,744
Real estate for sale in process	12,698	22,676
Deferred tax assets	657	702
Other	1,274	2,304
<b>Total current assets</b>	<b>24,468</b>	<b>35,578</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	6,922	5,391
Accumulated depreciation	(1,430)	(1,445)
<b>Buildings and structures, net</b>	<b>5,492</b>	<b>3,946</b>
Land	19,028	17,864
Leased assets	4	13
Accumulated depreciation	(0)	(4)
<b>Leased assets, net</b>	<b>3</b>	<b>8</b>
Construction in progress	-	3
Other	76	90
Accumulated depreciation	(63)	(65)
<b>Other, net</b>	<b>13</b>	<b>25</b>
<b>Total property, plant and equipment</b>	<b>24,537</b>	<b>21,848</b>
<b>Intangible assets</b>		
Other	15	11
<b>Total intangible assets</b>	<b>15</b>	<b>11</b>
<b>Investments and other assets</b>		
Investment securities	594	147
Deferred tax assets	1	3
Other	447	476
Allowance for doubtful accounts	(2)	(2)
<b>Total investments and other assets</b>	<b>1,040</b>	<b>623</b>
<b>Total non-current assets</b>	<b>25,593</b>	<b>22,483</b>
<b>Deferred assets</b>		
Share issuance cost	79	26
<b>Total deferred assets</b>	<b>79</b>	<b>26</b>
<b>Total assets</b>	<b>50,141</b>	<b>58,088</b>

(Unit: million yen)

	Term ended Dec. 2014 (as of Dec. 31, 2014)	Term ended Dec. 2015 (as of Dec. 31, 2015)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term loans payable	2,180	1,267
Current portion of long-term loans payable	6,519	8,317
Current portion of bonds	557	557
Lease obligations	0	3
Accounts payable - other	344	963
Income taxes payable	10	84
Advances received	820	1,345
Asset retirement obligations	-	3
Other	770	947
<b>Total current liabilities</b>	<b>11,204</b>	<b>13,490</b>
<b>Non-current liabilities</b>		
Bonds payable	557	-
Long-term loans payable	25,612	29,588
Lease obligations	2	4
Asset retirement obligations	53	82
Provision for directors' share-based benefits	-	29
Provision for share-based benefits	-	5
Other	1,054	892
<b>Total non-current liabilities</b>	<b>27,280</b>	<b>30,603</b>
<b>Total liabilities</b>	<b>38,484</b>	<b>44,094</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,019	6,029
Capital surplus	1,748	1,758
Retained earnings	4,192	7,024
Treasury shares	(311)	(821)
<b>Total shareholders' equity</b>	<b>11,648</b>	<b>13,989</b>
Subscription rights to shares	8	4
<b>Total net assets</b>	<b>11,656</b>	<b>13,994</b>
<b>Total liabilities and net assets</b>	<b>50,141</b>	<b>58,088</b>



(2) Consolidated statement of income and consolidated statement of comprehensive income  
(Consolidated statement of income)

(Unit: million yen)

	Term ended Dec. 2014 (from Jan. 1, 2014 to Dec. 31, 2014)	Term ended Dec. 2015 (from Jan. 1, 2015 to Dec. 31, 2015)
Net sales	18,842	27,705
Cost of sales	13,949	21,015
Gross profit	4,893	6,690
Selling, general and administrative expenses		
Advertising expenses	608	722
Sales commission	377	437
Directors' compensations	128	157
Salaries and allowances	421	546
Provision for directors' share-based benefits	-	29
Provision for share-based benefits	-	5
Commission fee	116	146
Taxes and dues	108	140
Other	317	491
Total selling, general and administrative expenses	2,077	2,677
Operating income	2,815	4,012
Non-operating income		
Interest income	1	0
Dividend income	0	0
Cancellation income	11	18
Gain on valuation of interest rate swaps	22	-
Other	2	0
Total non-operating income	38	21
Non-operating expenses		
Interest expenses	706	795
Share issuance cost	53	53
Other	18	58
Total non-operating expenses	778	907
Ordinary income	2,075	3,126
Extraordinary income		
Gain on sales of non-current assets	16	-
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	16	0
Extraordinary losses		
Loss on retirement of non-current assets	12	0
Impairment loss	-	7
Total extraordinary losses	12	7
Income before income taxes	2,079	3,119
Income taxes - current	19	126
Income taxes - deferred	(351)	(46)
Total income taxes	(332)	79
Income before minority interests	2,411	3,039
Net income	2,411	3,039

(Consolidated statement of comprehensive income)

(Unit: million yen)

	Term ended Dec. 2014 (from Jan. 1, 2014 to Dec. 31, 2014)	Term ended Dec. 2015 (from Jan. 1, 2015 to Dec. 31, 2015)
Income before minority interests	2,411	3,039
Comprehensive income	2,411	3,039
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,411	3,039
Comprehensive income attributable to minority interests	—	-

## (3) Consolidated statement of changes in equity

Term ended December 2014 (from January 1, 2014 to December 31, 2014)

(Unit: million yen)

	Shareholders' equity					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at beginning of current period	5,998	1,727	1,850	(11)	9,564	23	9,587
Changes of items during period							
Issuance of new shares	20	20			41		41
Dividends of surplus			(69)		(69)		(69)
Net income			2,411		2,411		2,411
Purchase of treasury shares				(299)	(299)		(299)
Net changes of items other than shareholders' equity						(14)	(14)
Total changes of items during period	20	20	2,342	(299)	2,083	(14)	2,069
Balance at end of current period	6,019	1,748	4,192	(311)	11,648	8	11,656

Term ended December 2015 (from January 1, 2015 to December 31, 2015)

(Unit: million yen)

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

## (4) Consolidated statement of cash flows

(Unit: million yen)

	Term ended Dec. 2014 (from Jan. 1, 2014 to Dec. 31, 2014)	Term ended Dec. 2015 (from Jan. 1, 2015 to Dec. 31, 2015)
<b>Cash flows from operating activities</b>		
Income before income taxes	2,079	3,119
Depreciation	275	264
Impairment loss	—	7
Increase (decrease) in provision for directors' share-based benefits	—	29
Increase (decrease) in provision for share-based benefits	—	5
Share issuance cost	53	53
Loss (gain) on sales of non-current assets	(16)	—
Loss on retirement of non-current assets	12	0
Increase (decrease) in allowance for doubtful accounts	—	0
Interest and dividend income	(1)	(1)
Interest expenses	706	795
Loss (gain) on valuation of interest swaps	(22)	—
Decrease (increase) in notes and accounts receivable - trade	(3)	(35)
Decrease (increase) in inventories	(4,571)	(7,366)
Decrease (increase) in prepaid expenses	31	(433)
Increase (decrease) in accounts payable - other	(201)	549
Decrease/increase in consumption taxes receivable/payable	300	17
Increase (decrease) in advances received	217	524
Increase (decrease) in deposits received	275	(132)
Decrease (increase) in other assets	(105)	(407)
Increase (decrease) in other liabilities	9	(2)
Subtotal	(960)	(3,013)
Interest and dividend income received	1	1
Interest expenses paid	(726)	(836)
Income taxes (paid) refund	(119)	(28)
Net cash provided by (used in) operating activities	(1,803)	(3,877)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(24)	(18)
Proceeds from withdrawal of time deposits	18	24
Purchase of investment securities	—	(60)
Proceeds from withdrawal of investment securities	—	30
Purchase of non-current assets	(1,355)	(73)
Proceeds from sales of non-current assets	156	23
Proceeds from guarantee deposits received	292	338
Repayments of guarantee deposits received	(123)	(204)
Payments for investments in capital	(5)	-
Payments of loans receivable	(1)	-
Collection of loans receivable	0	1
Net cash provided by (used in) investing activities	(1,041)	61

(Unit: million yen)

	Term ended Dec. 2014 (from Jan. 1, 2014 to Dec. 31, 2014)	Term ended Dec. 2015 (from Jan. 1, 2015 to Dec. 31, 2015)
Cash flows from financing activities		
Increase in short-term loans payable	3,341	1,921
Decrease in short-term loans payable	(1,441)	(2,833)
Proceeds from long-term loans payable	26,179	17,692
Repayments of long-term loans payable	(23,764)	(11,918)
Redemption of bonds	(557)	(557)
Repayments of lease obligations	(0)	(3)
Proceeds from issuance of common shares	24	15
Purchase of treasury shares	(299)	(509)
Cash dividends paid	(68)	(205)
Proceeds from release of deposits as collateral	259	83
Payments for pledge of deposits as collateral	(302)	—
Net cash provided by (used in) financing activities	3,368	3,683
Net increase (decrease) in cash and cash equivalents	523	(132)
Cash and cash equivalents at beginning of period	3,824	4,347
Cash and cash equivalents at end of period	4,347	4,214

## 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 not only to develop tangible properties, but also to 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

The ES-CON JAPAN Group operates with an aim to achieve the "Make The One for 2016" medium-term management plan for the four-year period from the term ended December 2013 to the term ending December 2016 that sets "Maximization of corporate value and giving back to shareholders" and "Establishment of firm management foundation that can withstand any kind of economic environment" as targets.

The content of the plan for the final fiscal year was subject to an upward revision in November 2015 to comprehensively account for the status of financial results for the term ended December 2015, the current state of progress of businesses and other factors.

#### (Management targets)

	Term ending Dec. 2016 (Plan)	
	February 2015 revision	November 2015 revision
Equity ratio	30.0% or higher	30.0% or higher
Return on equity (ROE)	13.0% or higher	13.0% or higher
Return on assets (ROA)	3.6% or higher	3.6% or higher
Return on invested capital (ROIC)	5.8% or higher	6.4% or higher
Earnings per share (EPS)	28 yen or higher	32 yen or higher
Book value per share (BPS)	218 yen or higher	245 yen or higher
Dividend payout ratio	25.0% or higher	25.0% or higher

(Performance plan)

(Unit: million yen)

	Term ending Dec. 2016 (Plan)			
	February 2015 revision	November 2015 revision	Earnings forecast	Compared with November 2015 plan
Net sales	28,000-29,000	30,800 or higher	32,700	+1,900
Real estate sales business	25,300-26,300	27,800 or higher	29,450	+1,650
Real estate leasing business	2,400	2,900 or higher	3,100	+200
Real estate planning agency and consulting business	300	100 or higher	150	+50
Operating income	3,200-3,400	4,200 or higher	4,200	0
Ordinary income	2,300-2,500	3,300 or higher	3,300	0

(Greater and stronger return to shareholders)

Employing the total return ratio as a measure to further enhance return to shareholders, the Board of Directors adopted a resolution on additional purchase of treasury shares at its meeting held in February 2016, leading to return to shareholders of 30.2% of after-tax profit as actual results for the term ended December 2015 and 35.0% for the term ending December 2016 being planned.

Total return ratio	Term ended Dec. 2015 (Actual)				30.2%	Term ending Dec. 2016 (Plan) 35.0%
	Dividend	Dividend payout ratio	Purchase of treasury shares			
	8 yen	17.9%	374 million yen	12.3%		