



## Summary of Accounts for Term Ended December 2016 (Japanese GAAP) (Consolidated)

February 10, 2017

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  
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 Scheduled date for next regular general meeting of shareholders: March 24, 2017  
 Scheduled date for submission of periodic securities report: March 27, 2017  
 Scheduled date for start of dividend payment: March 27, 2017  
 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 2016 (from January 1, 2016 to December 31, 2016)

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

|                      | Net sales   |      | Operating income |      | Ordinary income |      | Profit attributable to owners of parent |      |
|----------------------|-------------|------|------------------|------|-----------------|------|---|------|
|                      | million yen | %    | million yen      | %    | million yen     | %    | million yen                             | %    |
| Term ended Dec. 2016 | 34,347      | 24.0 | 4,680            | 16.6 | 3,575           | 14.4 | 3,936                                   | 29.5 |
| Term ended Dec. 2015 | 27,705      | 47.0 | 4,012            | 42.5 | 3,126           | 50.7 | 3,039                                   | 26.0 |

Note: Comprehensive income  
 Term ended Dec. 2016: 3,958 million yen[30.3%] Term ended Dec. 2015: 3,039 million yen[26.0%]

|                      | Basic earnings per share | Diluted earnings per share | Return on equity | Return on assets | Operating margin |
|----------------------|--------------------------|----------------------------|------------------|------------------|------------------|
|                      | yen                      | yen                        | %                | %                | %                |
| Term ended Dec. 2016 | 58.76                    | 57.41                      | 25.1             | 5.4              | 13.6             |
| Term ended Dec. 2015 | 44.65                    | 44.50                      | 23.7             | 5.8              | 14.5             |

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

Term ended Dec. 2016: — million yen Term ended Dec. 2015: — million yen

#### (2) Consolidated financial position

|                      | Total assets | Net assets  | Equity ratio | Book value per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | million yen  | million yen | %            | yen                  |
| Term ended Dec. 2016 | 73,703       | 17,363      | 23.6         | 259.07               |
| Term ended Dec. 2015 | 58,088       | 13,994      | 24.1         | 208.28               |

Reference: Equity

Term ended Dec. 2016: 17,360 million yen Term ended Dec. 2015: 13,989 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. 2016 | (14,684)  | 7,656   | 11,003  | 8,191                                      |
| Term ended Dec. 2015 | (3,877)   | 61  | 3,683   | 4,214                                      |

### 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 |                               |                                      |                                   |
| Term ended Dec. 2015             | —                    | 0.00                  | —                    | 8.00     | 8.00  | 543                           | 17.9                                 | 4.2                               |
| Term ended Dec. 2016             | —                    | 0.00                  | —                    | 15.00    | 15.00 | 1,017                         | 25.5                                 | 6.4                               |
| Term ending Dec. 2017 (Forecast) | —                    | 0.00                  | —                    | 15.00    | 15.00 |                               | 22.8                                 |                                   |

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

(% figures for the full term show the rate of increase (decrease) compared with the previous term, and

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

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

\* 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.: Yes

2) Changes in accounting policies other than 1): Yes

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<br>Dec. 2016 | 70,594,887<br>shares | Term ended<br>Dec. 2015 | 70,511,887<br>shares |
| 2) Number of treasury shares at end of term   | Term ended<br>Dec. 2016 | 3,583,600<br>shares  | Term ended<br>Dec. 2015 | 3,342,000<br>shares  |
| 3) Average number of shares during term   | Term ended<br>Dec. 2016 | 66,988,398<br>shares | Term ended<br>Dec. 2015 | 68,069,666<br>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 2016: 554,200 shares in the share-based payment benefits trust for directors and 235,300 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 2016: 789,596 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 2016), the Japanese economy showed potential to keep making moderate recovery due in part to the government's various economic measures amid ongoing improvement in the employment and income situation, but was also in a state of clouded outlook due in part to slowdown in overseas economies, the effects of fluctuations in the financial and capital markets and the U.S. political transition.

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

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

Steady progress was made in for-sale projects, such as the projects with construction completed in the term ended December 2016 "Le JADE Toyoda" (Hino City, Tokyo; 53 units in total (including 10 not-for-sale units)), "Le JADE Yokohama Tsurumi" (Tsurumi Ward, Yokohama City; 45 units in total), "Le JADE Takatsuki" (Takatsuki City, Osaka Prefecture; 136 units in total) and "Le JADE Nishitanabe Abeno Hannancho" (Abeno Ward, Osaka City; 38 units in total) being completely sold out and delivered, and the project slated for construction completion in 2017 "Le JADE Takatsuki The Marks" (Takatsuki City, Osaka Prefecture; 95 units in total) contracted to sell out.

Concerning the project with construction completed in the term ended December 2016 "Le JADE Setagaya Kinuta" (Setagaya Ward, Tokyo; 25 units in total), concierge services were made available, and "Cafe Apartment 183," a café dining designed with focus on creating comfortable space to offer the community a place to interact, was opened, both of which are directly managed by the ES-CON JAPAN Group on the first floor of the condominium. In addition, ES-CON JAPAN is participating as one of the participating members in "Hananokita Mall Condominium Reconstruction Project" (Himeji City, Hyogo Prefecture), a complex with retail facilities, residential units and a library. With new initiatives included in this manner, development continues to be underway as a "life developer" that develops living.

In the commercial development business, along with acquiring several *sokochi* (land with land leasehold rights) of retail properties, the development of the large-scale mixed-use development "Fukuoka Kasuga Project" that has long been underway was fully completed with the completion of a new "town" of approximately 670 units in total. In addition, also being selected as partner in the study of commercialization for an urban development project (Uehara/Takamuko District, Kawachinagano City, Osaka Prefecture) and such, operations leveraging the commercial development know-how possessed by ES-CON JAPAN are steadily underway.

Furthermore, focus is being placed on hotel development projects incorporating inbound tourism needs, with business sites for 15 projects already acquired in Sapporo, Kanazawa, Tokyo and Osaka.

In this manner, with 12 projects in the Tokyo metropolitan area, 15 projects in the Kinki area and 6 projects in other areas in acquisitions of new business sites as the site for future for-sale, commercial, hotel and other multifaceted development in the term ended December 2016, steady and proactive operations are underway.

In June 2016, ES-CON JAPAN succeeded in reassignment to the First Section of the Tokyo Stock Exchange. As part of the next growth strategy, in September 2016, ES-CON JAPAN established ES-CON LIVING SERVICE Ltd. as a wholly-owned subsidiary of ES-CON JAPAN to create and strengthen operations businesses, including condominium management business, café business, hotel operation business and renovation business, and thereby promote expansion of business fields.

In August 2016, ES-CON JAPAN established Es-Con Japan REIT, a diversified REIT mainly investing in *sokochi* of retail properties, and is also working to prepare for its listing on the Tokyo Stock Exchange aiming to make it a distinctive REIT that can secure long-term stable earnings by mainly investing in *sokochi* of community-based retail properties rooted in local communities that contribute to convenience of daily community life.

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

In the real estate planning agency and consulting business, focus is being placed 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.

In this manner, efforts are being made for further business development and enhancement of corporate value by engaging in multifaceted business operations.

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

Moreover, under the “Make The One for 2016” medium-term management plan for the four-year period from the term ended December 2013 to the term ended December 2016, the abovementioned commercial development business, hotel development business and other new business operations and also shifting away from a concentration on the condominium sales business led to greater evolvement and growth as a general real estate developer than planned and attainment of almost all management target and performance target items.

(Management Targets)

|  | Term ended<br>Dec. 2013 | Term ended<br>Dec. 2016 |            | Attainment<br>rate |
|--|-------------------------|-------------------------|------------|--------------------|
|  | Actual                  | Plan                    | Actual     |                    |
| Equity ratio                             | 21.9%                   | 30.0% or higher         | 23.6%      | 78.5%              |
| Return on equity (ROE)                   | 27.7%                   | 13.0% or higher         | 25.1%      | 193.2%             |
| Return on assets (ROA)                   | 4.3%                    | 3.6% or higher          | 6.0%       | 165.9%             |
| Return on invested capital (ROIC) (Note) | 4.2%                    | 6.4% or higher          | 6.5%       | 101.2%             |
| Earnings per share (EPS)                 | 31.14 yen               | 32 yen or higher        | 58.76 yen  | 183.6%             |
| Book value per share (BPS)               | 137.14 yen              | 245 yen or higher       | 259.07 yen | 105.7%             |
| Dividend payout ratio                    | 3.2%                    | 25.0% or higher         | 25.5%      | 102.1%             |

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

(Performance Targets)

1. Initial plan announced on August 8, 2013

(Unit: million yen)

|  | Term ended<br>Dec. 2013 | Term ended<br>Dec. 2014      | Term ended<br>Dec. 2015      | Term ended<br>Dec. 2016      |
|--|-------------------------|------------------------------|------------------------------|------------------------------|
| Net sales  | 13,750                  | Between 17,600<br>and 18,800 | Between 17,700<br>and 20,000 | Between 18,500<br>and 22,500 |
| Real estate sales business                             | 11,300                  | Between 15,200<br>and 16,400 | Between 15,200<br>and 17,500 | Between 16,000<br>and 20,000 |
| Real estate leasing business                           | 2,150                   | 2,100                        | 2,200                        | 2,300                        |
| Real estate planning agency<br>and consulting business | 300                     | 300                          | 300                          | 300                          |
| Operating income                                       | 1,790                   | Between 2,300<br>and 2,500   | Between 2,200<br>and 2,600   | Between 2,300<br>and 2,800   |
| Ordinary income  | 1,100                   | Between 1,600<br>and 1,750   | Between 1,500<br>and 1,850   | Between 1,700<br>and 2,100   |

2. Actual results, and term ended December 2016 term-start plan and most recent plan

(Unit: million yen)

|  | Term ended<br>Dec. 2013 | Term ended<br>Dec. 2014 | Term ended<br>Dec. 2015 | Term ended<br>Dec. 2016 |                     |        |  |
|--|-------------------------|-------------------------|-------------------------|-------------------------|---------------------|--------|--|
|  | Actual                  | Actual                  | Actual                  | Term-start<br>plan      | Most recent<br>plan | Actual | Compared<br>with<br>term-start<br>plan |
| Net sales  | 13,558                  | 18,842                  | 27,705                  | 32,700                  | 34,300              | 34,347 | +1,647                                 |
| Real estate<br>sales business                                | 10,991                  | 16,227                  | 24,649                  | 29,450                  | 30,680              | 30,687 | +1,237                                 |
| Real estate<br>leasing business                              | 2,234                   | 2,479                   | 2,857                   | 3,100                   | 3,560               | 3,594  | +494                                   |
| Real estate<br>planning agency<br>and consulting<br>business | 331                     | 136                     | 199                     | 150                     | 60                  | 65     | -84                                    |
| Operating income   | 1,844                   | 2,815                   | 4,012                   | 4,200                   | 4,580               | 4,680  | +480                                   |
| Ordinary income  | 1,200                   | 2,075                   | 3,126                   | 3,300                   | 3,500               | 3,575  | +275                                   |

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 real estate for sale and real estate for sale in process, resulting in net sales of 30,687 million yen (up 24.5% compared with the previous term) and segment income of 4,798 million yen (up 27.3% 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 3,594 million yen (up 25.8% compared with the previous term) and segment income of 2,058 million yen (up 28.1% compared with the previous term).

3) Real estate planning agency and consulting business

In the real estate planning agency and consulting business, although proactive efforts were made in such aspects as entrustment with planning, consulting and other services by making best use of planning and multifaceted business building abilities, the result was net sales of 65 million yen (down 67.3% compared with the previous term) and segment income of 65 million yen (down 62.5% 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 the effects of the change of government in the U.S. and political instability in Europe, as well as downside risks posed by the Chinese economy, that make it a state that warrants no optimism.

In such an environment, as a challenge for the next stage, the ES-CON JAPAN Group formulated the second medium-term management plan "IDEAL to REAL 2019," which is for the three-year period from the term ending December 2017 to the term ending December 2019. 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 forecast for the term ending December 2017 is net sales of 45,500 million yen, operating income of 5,700 million yen, ordinary income of 4,800 million yen and profit attributable to owners of parent of 4,400 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 2016 increased by 15,614 million yen compared with the end of the previous term to 73,703 million yen. This was mainly attributable to cash and deposits increasing by 3,687 million yen, inventories increasing by 17,468 million yen and deferred tax assets increasing by 1,548 million yen, and property, plant and equipment decreasing by 8,700 million yen.

Liabilities increased by 12,245 million yen compared with the end of the previous term to 56,339 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 11,304 million yen.

Net assets increased by 3,369 million yen compared with the end of the previous term to 17,363 million yen. This was mainly attributable to recording profit of 3,936 million yen.

### 2) Cash flows

Cash and cash equivalents ("net cash") in the term ended December 2016 increased by 3,976 million yen compared with the end of the previous term to 8,191 million yen (4,214 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 2016.

#### (Cash flows from operating activities)

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

#### (Cash flows from investing activities)

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

#### (Cash flows from financing activities)

Cash flows from financing activities in the term ended December 2016 amounted to net cash provided by financing activities of 11,003 million yen (net cash provided by financing activities of 3,683 million yen in the previous 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 11,672 million yen, purchase of treasury shares of 54 million yen and cash dividends paid of 541 million yen.

Reference: Changes in cash flow indicators

|   | Term ended<br>Dec. 2012 | Term ended<br>Dec. 2013 | Term ended<br>Dec. 2014 | Term ended<br>Dec. 2015 | Term ended<br>Dec. 2016 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Equity ratio (%)  | 9.2                     | 21.9                    | 23.2                    | 24.1                    | 23.6                    |
| Equity ratio on market capitalization basis (%)         | 8.1                     | 25.5                    | 26.5                    | 31.7                    | 41.9                    |
| Ratio of interest-bearing liabilities to cash flows (%) | 3,546.7                 | 773.7                   | —                       | —                       | —                       |
| Interest coverage ratio (times)                         | 1.6                     | 6.1                     | —                       | —                       | —                       |

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 term by the number of shares issued and outstanding 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 2016, which is the final fiscal year of the medium-term management plan, with increase from the initial forecast of 12 yen per share to 13 yen per share and a commemorative dividend of 2 yen per share added to this, payout of 15 yen per share is scheduled. In addition, the total return ratio will attain the target of 35.0% at 36.8%.

For the term ending December 2017 and subsequent terms, in order to realize further stable return to shareholders, a progressive dividend policy will be adopted for the dividend per share (DPS) during the period of the second medium-term management plan (from the term ending December 2017 to the term ending December 2019) based on which the dividend amount will either be maintained to not fall below the previous term's DPS or increased depending on business performance growth ("not decrease the dividend amount" in principle).

By adopting this progressive dividend policy that makes it a clear policy to "not decrease the dividend amount, but rather only maintain or increase the dividend amount" in principle, efforts will be made to realize stable dividends and raise the transparency of future dividend levels to increasingly strengthen return to shareholders and for sustainable corporate value enhancement.

For the term ending December 2017, the dividend forecast is 15 yen per share.

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheet

(Unit: million yen)

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



(Unit: million yen)

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

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

(Unit: million yen)

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

(Consolidated Statement of Comprehensive Income)

(Unit: million yen)

|   | Term ended Dec. 2015<br>(from Jan. 1, 2015<br>to Dec. 31, 2015) | Term ended Dec. 2016<br>(from Jan. 1, 2016<br>to Dec. 31, 2016) |
|---|---|---|
| Profit  | 3,039   | 3,936   |
| Other comprehensive income  |   |   |
| Valuation difference on available-for-sale securities, before tax | —   | 22  |
| Total other comprehensive income                                  | —   | 22  |
| Comprehensive income  | 3,039   | 3,958   |
| Comprehensive income attributable to:                             |   |   |
| Comprehensive income attributable to owners of parent             | 3,039   | 3,958   |
| Comprehensive income attributable to non-controlling interests    | —   | —   |

## (3) Consolidated Statement of Changes in Equity

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

(Unit: million yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | 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                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               | 9                    | 9               |                   |                 | 19                         |
| Dividends of surplus                                 |                      |                 | (206)             |                 | (206)                      |
| Profit attributable to owners of parent              |                      |                 | 3,039             |                 | 3,039                      |
| Purchase of treasury shares                          |                      |                 |                   | (509)           | (509)                      |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | 9                    | 9               | 2,832             | (509)           | 2,341                      |
| Balance at end of current period                     | 6,029                | 1,758           | 7,024             | (821)           | 13,989                     |

(Unit: million yen)

|  | Subscription rights to shares | Total net assets |
|--|-------------------------------|------------------|
| Balance at beginning of current period               | 8                             | 11,656           |
| Changes of items during period                       |                               |                  |
| Issuance of new shares                               |                               | 19               |
| Dividends of surplus                                 |                               | (206)            |
| Profit attributable to owners of parent              |                               | 3,039            |
| Purchase of treasury shares                          |                               | (509)            |
| Net changes of items other than shareholders' equity | (4)                           | (4)              |
| Total changes of items during period                 | (4)                           | 2,337            |
| Balance at end of current period                     | 4                             | 13,994           |

Term ended December 2016 (from January 1, 2016 to December 31, 2016)

(Unit: million yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | 6,029                | 1,758           | 7,024             | (821)           | 13,989                     |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Issuance of new shares                               | 5                    | 5               |                   |                 | 10                         |
| Dividends of surplus                                 |                      |                 | (543)             |                 | (543)                      |
| Profit attributable to owners of parent              |                      |                 | 3,936             |                 | 3,936                      |
| Purchase of treasury shares                          |                      |                 |                   | (54)            | (54)                       |
| Disposal of treasury shares                          |                      |                 |                   | 0               | 0                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | 5                    | 5               | 3,392             | (54)            | 3,348                      |
| Balance at end of current period                     | 6,034                | 1,763           | 10,417            | (876)           | 17,338                     |

(Unit: million yen)

|  | Accumulated other comprehensive income                |  | Subscription rights to shares | Total net assets |
|--|---|--|-------------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of current period               | —   | —  | 4                             | 13,994           |
| Changes of items during period                       |   |  |                               |                  |
| Issuance of new shares                               |   |  |                               | 10               |
| Dividends of surplus                                 |   |  |                               | (543)            |
| Profit attributable to owners of parent              |   |  |                               | 3,936            |
| Purchase of treasury shares                          |   |  |                               | (54)             |
| Disposal of treasury shares                          |   |  |                               | 0                |
| Net changes of items other than shareholders' equity | 22  | 22   | (1)                           | 21               |
| Total changes of items during period                 | 22  | 22   | (1)                           | 3,369            |
| Balance at end of current period                     | 22  | 22   | 3                             | 17,363           |

## (4) Consolidated Statement of Cash Flows

(Unit: million yen)

|  | Term ended Dec. 2015<br>(from Jan. 1, 2015<br>to Dec. 31, 2015) | Term ended Dec. 2016<br>(from Jan. 1, 2016<br>to Dec. 31, 2016) |
|--|---|---|
| <b>Cash flows from operating activities</b>                          |   |   |
| Profit before income taxes   | 3,119   | 2,628   |
| Depreciation   | 264   | 229   |
| Impairment loss  | 7   | 1,042   |
| Increase (decrease) in allowance for doubtful accounts               | 0   | 74  |
| Increase (decrease) in provision for directors' share-based benefits | 29  | 24  |
| Increase (decrease) in provision for share-based benefits            | 5   | 7   |
| Interest and dividend income   | (1)   | (1)   |
| Interest expenses  | 795   | 999   |
| Share issuance cost  | 53  | 26  |
| Loss (gain) on sales of non-current assets                           | —   | (136)   |
| Loss on retirement of non-current assets                             | 0   | 0   |
| Loss (gain) on valuation of investment securities                    | —   | 42  |
| Decrease (increase) in notes and accounts receivable - trade         | (35)  | (200)   |
| Decrease (increase) in inventories                                   | (7,366)   | (17,033)  |
| Decrease (increase) in prepaid expenses                              | (433)   | 199   |
| Increase (decrease) in accounts payable - other                      | 549   | 162   |
| Decrease/increase in consumption taxes receivable/payable            | 17  | (385)   |
| Increase (decrease) in advances received                             | 524   | 11  |
| Increase (decrease) in deposits received                             | (132)   | 258   |
| Decrease (increase) in other assets                                  | (407)   | (1,462)   |
| Increase (decrease) in other liabilities                             | (2)   | 165   |
| Subtotal   | (3,013)   | (13,349)  |
| Interest and dividend income received                                | 1   | 1   |
| Interest expenses paid   | (836)   | (1,060)   |
| Income taxes (paid) refund   | (28)  | (275)   |
| Net cash provided by (used in) operating activities                  | (3,877)   | (14,684)  |
| <b>Cash flows from investing activities</b>                          |   |   |
| Payments into time deposits  | (18)  | (18)  |
| Proceeds from withdrawal of time deposits                            | 24  | 18  |
| Purchase of investment securities                                    | (60)  | (110)   |
| Proceeds from withdrawal of investment securities                    | 30  | 10  |
| Purchase of non-current assets                                       | (73)  | (223)   |
| Proceeds from sales of non-current assets                            | 23  | 7,343   |
| Payments for asset retirement obligations                            | —   | (3)   |
| Collection of loans receivable                                       | 1   | 0   |
| Proceeds from guarantee deposits received                            | 338   | 1,120   |
| Repayments of guarantee deposits received                            | (204)   | (440)   |
| Payments for investments in capital                                  | —   | (41)  |
| Net cash provided by (used in) investing activities                  | 61  | 7,656   |

(Unit: million yen)

|  | Term ended Dec. 2015<br>(from Jan. 1, 2015<br>to Dec. 31, 2015) | Term ended Dec. 2016<br>(from Jan. 1, 2016<br>to Dec. 31, 2016) |
|--|---|---|
| Cash flows from financing activities                 |   |   |
| Increase in short-term loans payable                 | 1,921   | 11,887  |
| Decrease in short-term loans payable                 | (2,833)   | (8,846)   |
| Proceeds from long-term loans payable                | 17,692  | 28,915  |
| Repayments of long-term loans payable                | (11,918)  | (20,284)  |
| Proceeds from issuance of bonds                      | —   | 200   |
| Redemption of bonds                                  | (557)   | (567)   |
| Repayments of lease obligations                      | (3)   | (4)   |
| Repayments of installment payables                   | —   | (2)   |
| Proceeds from issuance of common shares              | 15  | 9   |
| Purchase of treasury shares                          | (509)   | (54)  |
| Cash dividends paid                                  | (205)   | (541)   |
| Proceeds from release of deposits as collateral      | 83  | 293   |
| Net cash provided by (used in) financing activities  | 3,683   | 11,003  |
| Net increase (decrease) in cash and cash equivalents | (132)   | 3,976   |
| Cash and cash equivalents at beginning of period     | 4,347   | 4,214   |
| Cash and cash equivalents at end of period           | 4,214   | 8,191   |

(5) Notes to Consolidated Financial Statements

(Changes in Accounting Policies)

*Application of Accounting Standard for Business Combinations, etc.*

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

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

In line with amendment of the Corporation Tax Act, “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (Practical Issues Task Force (PITF) No. 32; June 17, 2016) is applied, starting from the term ended December 2016. Accordingly, the depreciation method has been changed from the declining-balance method to the straight-line method for facilities attached to buildings and structures acquired on or after April 1, 2016.

As a result, operating income, ordinary income and profit before income taxes for the term ended December 2016 each increased by 3 million yen.

(Additional Information)

*Implementation Guidance on Recoverability of Deferred Tax Assets*

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



(Segment Information, etc.)

I. Term Ended December 2015 (from January 1, 2015 to December 31, 2015)

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

(Unit: million yen)

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

(Note 1) Reconciliations are as follows:

- (1) The reconciliation of segment income of -1,536 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 5,737 million yen is mainly surplus operating funds (cash and deposits), administrative assets, etc. not attributable to reporting segments.
- (3) The reconciliation of depreciation of 22 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 59 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<br>sales<br>business | Real estate<br>leasing<br>business | Real estate<br>planning agency and consulting<br>business | Elimination<br>and/or<br>corporate | Total |
|-----------------|----------------------------------|------------------------------------|---|------------------------------------|-------|
| Impairment loss | —                                | —                                  | —   | 7                                  | 7     |

(Note) For the term ended December 2015, impairment loss was recorded on the former head office in line with relocation of the head office.

II. Term Ended December 2016 (from January 1, 2016 to December 31, 2016)

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

(Unit: million yen)

|  | Reporting segment                |                                    |  | Total  | Reconciliation<br>(Note 1) | Amount on<br>consolidated<br>financial<br>statements<br>(Note 2) |
|--|----------------------------------|------------------------------------|--|--------|----------------------------|--|
|  | Real estate<br>sales<br>business | Real estate<br>leasing<br>business | Real estate<br>planning agency<br>and consulting<br>business |        |                            |  |
| Net sales  |                                  |                                    |  |        |                            |  |
| Net sales to<br>external customers                                       | 30,687                           | 3,594                              | 65   | 34,347 | —                          | 34,347   |
| Intersegment net<br>sales or transfers                                   | —                                | —                                  | —  | —      | —                          | —  |
| Total  | 30,687                           | 3,594                              | 65   | 34,347 | —                          | 34,347   |
| Segment income   | 4,798                            | 2,058                              | 65   | 6,921  | (2,241)                    | 4,680  |
| Segment assets   | 48,004                           | 14,673                             | 0  | 62,678 | 11,024                     | 73,703   |
| Other items  |                                  |                                    |  |        |                            |  |
| Depreciation   | —                                | 192                                | —  | 192    | 37                         | 229  |
| Impairment loss  | —                                | 1,042                              | —  | 1,042  | —                          | 1,042  |
| Increase in<br>property, plant and<br>equipment and<br>intangible assets | —                                | 193                                | —  | 193    | 19                         | 213  |

(Note 1) Reconciliations are as follows:

- (1) The reconciliation of segment income of -2,241 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 11,024 million yen is mainly surplus operating funds (cash and deposits), administrative assets, etc. not attributable to reporting segments.
- (3) The reconciliation of depreciation of 37 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 19 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<br>sales<br>business | Real estate<br>leasing<br>business | Real estate<br>planning agency and consulting<br>business | Elimination<br>and/or<br>corporate | Total |
|-----------------|----------------------------------|------------------------------------|---|------------------------------------|-------|
| Impairment loss | —                                | 1,042                              | —   | —                                  | 1,042 |

### 3. Other

#### Status of Contracts and Sales

The performance of contracts in the real estate sales business for the term ended December 2016 is as follows:

| Classification                  | Term ended Dec. 2016<br>(from Jan. 1, 2016<br>to Dec. 31, 2016) |                         |   |                         |
|---------------------------------|---|-------------------------|---|-------------------------|
|                                 | Contract amount during the period                               |                         | Balance of contracts at the end of the period |                         |
|                                 | Number of units<br>(units)                                      | Amount<br>(million yen) | Number of units<br>(units)                    | Amount<br>(million yen) |
| Mid- to high-rise housing, etc. | 473   | 20,246                  | 208   | 8,713                   |
| Other                           | —   | 17,544                  | —   | 13,413                  |
| Total                           | 473   | 37,791                  | 208   | 22,127                  |

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

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

| Name of segment                                     | Term ended Dec. 2015<br>(from Jan. 1, 2015<br>to Dec. 31, 2015) |                            |                         | Term ended Dec. 2016<br>(from Jan. 1, 2016<br>to Dec. 31, 2016) |                            |                         |
|---|---|----------------------------|-------------------------|---|----------------------------|-------------------------|
|   | Property name   | Number of units<br>(units) | Amount<br>(million yen) | Property name   | Number of units<br>(units) | Amount<br>(million yen) |
| Real estate sales business                          | Condominiums  | 344                        | 14,121                  | Condominiums  | 469                        | 19,625                  |
|   | Kyoto Rokkaku   | —                          | 3,150                   | Fukuoka Kasuga District 7                                       | —                          | 3,079                   |
|   | 2-chome, Miyahara, Yodogawa-ku                                  | —                          | 1,807                   | Shimamachi, Chuo-ku   | —                          | 2,223                   |
|   | Honmachi, Shibuya-ku  | —                          | 1,800                   | Otsukadai, Nishi-ku, Kobe-shi                                   | —                          | 2,130                   |
|   | Utsubohonmachi, Nishi-ku  | —                          | 1,450                   | Detached housing  | 22                         | 1,240                   |
|   | Nishiharacho, Nishitokyo-shi                                    | —                          | 1,312                   | Tsuchiura-shi, Ibaraki  | —                          | 969                     |
|   | Fukuoka Kasuga  | —                          | 350                     | Sunadabashi, Nagoya   | —                          | 480                     |
|   | Detached housing  | 5                          | 317                     | Kikyogaoka, Nabari-shi  | —                          | 477                     |
|   | Ishiwara, Sumida-ku   | —                          | 172                     | Toyoda, Nikko-shi   | —                          | 352                     |
|   | Takamicho, Yao  | —                          | 153                     | Misumicho, Chigasaki-shi  | —                          | 81                      |
|   | Other   | —                          | 14                      | Josaicho, Takatsuki-shi   | —                          | 28                      |
|   | Subtotal  | 349                        | 24,649                  | Subtotal  | 491                        | 30,687                  |
| Real estate leasing business                        |   |                            | 2,857                   |   |                            | 3,594                   |
| Real estate planning agency and consulting business |   |                            | 199                     |   |                            | 65                      |
| Total   |   |                            | 27,705                  | Total   |                            | 34,347                  |

(Note 1) There are no transactions between segments.

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

## 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

In such an environment, as a challenge for the next stage, the ES-CON JAPAN Group formulated the second medium-term management plan "IDEAL to REAL 2019," which is for the three-year period from the term ending December 2017 to the term ending December 2019.

#### 1. Basic Policy of "IDEAL to REAL 2019": Making the ideal real, and creating a new future

To continue to evolve and grow as a corporate entity required by society by following the basic philosophy of placing customers first and ensuring accomplishment of the mission as a "life developer" of developing living itself.

##### Corporate Strategy

- (1) Maximization of corporate value and giving back to shareholders
- (2) Establishment of firm management foundation that can withstand any kind of economic environment
- (3) Establishment of business diversity for ongoing and stable growth
- (4) Building of firm business foundation (quality) rather than expansion of corporate size (quantity)
- (5) Fulfillment of corporate social responsibilities to give back to not only shareholders but also all sorts of stakeholders and society

#### 2. Growth Action Plan

- (1) Further strengthening of the core business
- (2) Enhancement of corporate value through establishment of diversity by having several core businesses
- (3) Securing of long-term, stable stock earnings through proactive real estate leasing business operations
- (4) Expansion of the real estate sales business through stable supply of quality properties as the main sponsor in forming a listed REIT
- (5) Expansion of the range and depth of real estate development abilities through enrichment of the real estate operation business
- (6) Enhancement of corporate brand power

### 3. Management Targets

|  | Term ended Dec. 2016 | Term ending Dec. 2019     |
|--|----------------------|---------------------------|
|  | Actual               | Plan                      |
| Equity ratio                             | 23.6%                | Between 33.0% and 35.0%   |
| Return on equity (ROE)                   | 25.1%                | Between 18.0% and 21.0%   |
| Return on assets (ROA)                   | 6.0%                 | Between 6.0% and 7.0%     |
| Return on invested capital (ROIC) (Note) | 6.5%                 | Between 7.0% and 9.0%     |
| Earnings per share (EPS)                 | 58.76 yen            | Between 75 yen and 85 yen |

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

### 4. Performance Targets

(Unit: million yen)

|   | Term ended Dec. 2016 | Term ending Dec. 2017 | Term ending Dec. 2018     | Term ending Dec. 2019     |
|---|----------------------|-----------------------|---------------------------|---------------------------|
|   | Actual               | Plan                  | Plan                      | Plan                      |
| Net sales   | 34,347               | 45,500                | Between 57,700 and 58,000 | Between 60,000 and 62,000 |
| Real estate sales business                          | 30,687               | 42,700                | Between 54,900 and 55,800 | Between 57,800 and 57,900 |
| Real estate leasing business                        | 3,594                | 2,600                 | Between 1,900 and 2,000   | Between 2,000 and 2,100   |
| Real estate planning agency and consulting business | 65                   | 200                   | 200                       | 200                       |
| Operating income                                    | 4,680                | 4,800                 | Between 7,500 and 8,500   | Between 8,200 and 9,500   |
| Ordinary income                                     | 3,575                | 4,400                 | Between 6,500 and 7,500   | Between 7,200 and 8,500   |