



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

August 8, 2017

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

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for first two quarters of term ending December 2017 (from January 1, 2017 to June 30, 2017)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First two quarters of term ending Dec. 2017	11,701	(6.7)	2,369	28.5	1,878	36.2	1,879	21.7
First two quarters of term ended Dec. 2016	12,541	34.9	1,844	37.0	1,379	57.0	1,544	33.5

Note: Comprehensive income
 First two quarters of term ending Dec. 2017: 1,874 million yen [21.6%] First two quarters of term ended Dec. 2016: 1,541 million yen [33.4%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First two quarters of term ending Dec. 2017	28.35	27.58
First two quarters of term ended Dec. 2016	23.04	23.00

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First two quarters of term ending Dec. 2017	92,024	17,862	19.4	268.63
Term ended Dec. 2016	73,703	17,363	23.6	259.07

Reference: Equity
 First two quarters of term ending Dec. 2017: 17,859 million yen Term ended Dec. 2016: 17,360 million yen

2. Dividends

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

(Note) Revisions from latest dividends forecast: None

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

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full term	45,500	32.5	5,700	21.8	4,800	34.2	4,400	11.8	66.27

(Note) Revisions from latest earnings forecast: None

* Explanatory notes

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

(Changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: — companies (Company name) —

Excluded: — companies (Company name) —

(2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement: None

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

1) Number of shares issued and outstanding (including treasury shares) at end of period	First two quarters of term ending Dec. 2017	69,228,887 Shares	Term ended Dec. 2016	70,594,887 shares
2) Number of treasury shares at end of period	First two quarters of term ending Dec. 2017	2,745,300 Shares	Term ended Dec. 2016	3,583,600 shares
3) Average number of shares during period	First two quarters of term ending Dec. 2017	66,301,091 shares	First two quarters of term ended Dec. 2016	67,010,853 shares

Note: The number of treasury shares at end of period includes ES-CON JAPAN shares held in a share-based payment benefits trust for directors and a share-based payment benefits type ESOP trust (first two quarters of term ending December 2017: 543,200 shares in the share-based payment benefits trust for directors and 235,200 shares in the share-based payment benefits type ESOP trust). In the calculation of the average number of shares during period (cumulative total of first two quarters), the treasury shares to be subtracted in that calculation includes ES-CON JAPAN shares held in the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (first two quarters of term ending December 2017: 783,400 shares).

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

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

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by ES-CON JAPAN. Accordingly, actual business performance and other results may differ materially due to various reasons. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see "Attachment; 1. Qualitative Information on Quarterly Results; (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information" on page 5.

Attachment

1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

In the first two quarters, the Japanese economy was on a moderate recovery trend with the employment and income situation continuing to trend toward improvement due in part to the government's various economic measures, but was in a state of clouded outlook due in part to political risks in Europe and the U.S. and deceleration of emerging countries.

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, we proactively developed multifaceted businesses based on the second medium-term management plan "IDEAL to REAL 2019" which started from the term ending December 2017.

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

Steady progress was made in selling the projects slated for construction completion in the term ending December 2017 "Grand Le JADE Wakamatsucho Residence" (Shinjuku Ward, Tokyo; 31 units in total), "Le JADE Otsu Nagisako" (Otsu City, Shiga Prefecture; 44 units in total), "Le JADE Yokohama Hananoki" (Yokohama City, Kanagawa Prefecture; 69 units in total), "Le JADE Takatsuki Cross" (Takatsuki City, Osaka Prefecture; 80 units in total), "Le JADE Fushimi Chushojima" (Fushimi Ward, Kyoto Prefecture; 83 units in total), etc., not to mention "Le JADE Takatsuki The Marks" (Takatsuki City, Osaka Prefecture; 95 units in total), "Le JADE Sakurajosui Tiara" (Setagaya Ward, Tokyo; 42 units in total) as well as "Feel Garden Minami-Senri" (Suita City, Osaka Prefecture; 214 units in total) and "Le JADE Southern Gate Toyoda" (Hino City, Tokyo; 51 units in total) slated for construction completion in the next term that are already contracted to sell out.

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

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

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

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

As a result, business performance for the first two quarters was net sales of 11,701 million yen (down 6.7% compared with the same period of the previous term), operating income of 2,369 million yen (up 28.5% compared with the same period of the previous term), ordinary income of 1,878 million yen (up 36.2% compared with the same period of the previous term) and profit attributable to owners of parent of 1,879 million yen (up 21.7% compared with the same period of the previous term).

The following is the business performance by segment.

1) Real estate sales business

In the real estate sales business, activities included promoting condominium sales and selling three projects of revenue-generating real estate, resulting in net sales of 9,895 million yen (down 9.0% compared with the same period of the previous term) and segment income of 2,732 million yen (up 46.8% compared with the same period of 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 1,768 million yen (up 7.7% compared with the same period of the previous term) and segment income of 857 million yen (down 9.3% compared with the same period of 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 37 million yen (up 30.7% compared with the same period of the previous term) and segment income of 37 million yen (up 28.1% compared with the same period of the previous term).

(2) Explanation of Financial Position

1) Financial position

Assets at the end of the second quarter increased by 18,321 million yen compared with the end of the previous term to 92,024 million yen. This was mainly attributable to inventories increasing by 25,566 million yen.

Liabilities increased by 17,822 million yen compared with the end of the previous term to 74,161 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 16,071 million yen.

Net assets increased by 498 million yen compared with the end of the previous term to 17,862 million yen. This was attributable to cash dividends paid of 1,017 million yen and purchase of treasury shares of 429 million yen, yet recording quarterly profit attributable to owners of parent of 1,879 million yen. As a result, equity ratio was 19.4% (23.6% at the end of the previous term).

2) Cash flows

Cash and cash equivalents ("net cash") at the end of the first two quarters decreased by 999 million yen compared with the beginning of the term to 7,192 million yen (3,305 million yen at the end of the same period of the previous term).

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

(Cash flows from operating activities)

Cash flows from operating activities decreased by 23,130 million yen (net cash used in used in operating activities of 9,650 million yen in the same period of the previous term). This was mainly attributable to quarterly profit before income taxes of 1,889 million yen and increase in inventories of 25,450 million yen.

(Cash flows from investing activities)

Cash flows from investing activities increased by 7,456 million yen (146 million yen used in investing activities in the same period of the previous term). This was mainly attributable to sales of non-current assets amounting to net proceeds of 8,464 million yen.

(Cash flows from financing activities)

Cash flows from financing activities increased by 14,674 million yen (8,594 million yen provided by financing activities in the same period of the previous term). This was mainly attributable to proceeds from and repayments of long-term loans payable and short-term loans payable as well as procurement and redemption of bonds amounting to net proceeds of 16,071 million yen, payment of cash dividends of 1,015 million yen and purchase of treasury shares of 429 million yen.

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

The consolidated earnings forecast remains unchanged from the forecast announced on February 12, 2016.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Term ended Dec. 2016 (as of Dec. 31, 2016)	First two quarters of term ending Dec. 2017 (as of Jun. 30, 2017)
Assets		
Current assets		
Cash and deposits	8,204	7,225
Notes and accounts receivable - trade	285	517
Real estate for sale	6,103	3,187
Real estate for sale in process	39,319	67,834
Supplies	32	0
Other	3,782	5,761
Allowance for doubtful accounts	(73)	(73)
Total current assets	57,654	84,453
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,351	3,802
Accumulated depreciation	(1,614)	(1,095)
Buildings and structures, net	3,737	2,707
Land	9,320	1,966
Other	176	176
Accumulated depreciation	(86)	(99)
Other, net	90	77
Total property, plant and equipment	13,147	4,751
Intangible assets		
Other	17	17
Total intangible assets	17	17
Investments and other assets		
Other	2,887	2,806
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	2,883	2,802
Total non-current assets	16,048	7,571
Total assets	73,703	92,024

(Unit: million yen)

	Term ended Dec. 2016 (as of Dec. 31, 2016)	First two quarters of term ending Dec. 2017 (as of Jun. 30, 2017)
Liabilities		
Current liabilities		
Short-term loans payable	4,308	6,561
Current portion of long-term loans payable	16,753	24,204
Current portion of bonds	40	40
Income taxes payable	69	14
Other	4,320	6,392
Total current liabilities	25,492	37,213
Non-current liabilities		
Bonds payable	150	130
Long-term loans payable	29,784	36,170
Provision for directors' share-based benefits	54	65
Provision for share-based benefits	13	15
Asset retirement obligations	83	93
Other	761	474
Total non-current liabilities	30,847	36,948
Total liabilities	56,339	74,161
Net assets		
Shareholders' equity		
Capital stock	6,034	6,068
Capital surplus	1,763	1,797
Retained earnings	10,417	10,746
Treasury shares	(876)	(770)
Total shareholders' equity	17,338	17,841
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22	17
Total accumulated other comprehensive income	22	17
Subscription rights to shares	3	2
Total net assets	17,363	17,862
Total liabilities and net assets	73,703	92,024

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

(Unit: million yen)

	First two quarters of term ended Dec. 2016 (from Jan. 1, 2016 to Jun. 30, 2016)	First two quarters of term ending Dec. 2017 (from Jan. 1, 2017 to Jun. 30, 2017)
Net sales	12,541	11,701
Cost of sales	9,042	7,893
Gross profit	3,499	3,807
Selling, general and administrative expenses	1,655	1,437
Operating income	1,844	2,369
Non-operating income		
Interest income	0	0
Dividend income	1	2
Penalty income	2	14
Other	0	1
Total non-operating income	4	18
Non-operating expenses		
Interest expenses	437	506
Share issuance cost	26	-
Other	5	2
Total non-operating expenses	469	509
Ordinary income	1,379	1,878
Extraordinary income		
Gain on sales of non-current assets	-	11
Gain on reversal of subscription rights to shares	0	-
Total extraordinary income	0	11
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	42	-
Total extraordinary losses	42	0
Profit before income taxes	1,336	1,889
Income taxes - current	127	21
Income taxes - deferred	(335)	(11)
Total income taxes	(207)	10
Profit	1,544	1,879
Profit attributable to owners of parent	1,544	1,879

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	First two quarters of term ended Dec. 2016 (from Jan. 1, 2016 to Jun. 30, 2016)	First two quarters of term ending Dec. 2017 (from Jan. 1, 2017 to Jun. 30, 2017)
Profit	1,544	1,879
Other comprehensive income		
Valuation difference on available-for-sale securities, before tax	(2)	(4)
Total other comprehensive income	(2)	(4)
Comprehensive income	1,541	1,874
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,541	1,874
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	First two quarters of term ended Dec. 2016 (from Jan. 1, 2016 to Jun. 30, 2016)	First two quarters of term ending Dec. 2017 (from Jan. 1, 2017 to Jun. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	1,336	1,889
Depreciation	109	99
Increase (decrease) in allowance for doubtful accounts	0	—
Increase (decrease) in provision for directors' share-based benefits	12	11
Increase (decrease) in provision for share-based benefits	1	1
Interest and dividend income	(1)	(2)
Interest expenses	437	506
Share issuance cost	26	—
Loss (gain) on sales of non-current assets	—	(11)
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	(25)	(231)
Decrease (increase) in inventories	(10,061)	(25,450)
Decrease (increase) in prepaid expenses	55	(911)
Increase (decrease) in accounts payable - other	(84)	1,165
Decrease/increase in consumption taxes receivable/payable	(319)	320
Increase (decrease) in advances received	(314)	774
Increase (decrease) in deposits received	41	(23)
Decrease (increase) in other assets	(179)	(537)
Increase (decrease) in other liabilities	17	2
Subtotal	(8,903)	(22,394)
Interest and dividend income received	1	2
Interest expenses paid	(524)	(628)
Income taxes (paid) refund	(224)	(110)
Net cash provided by (used in) operating activities	(9,650)	(23,130)
Cash flows from investing activities		
Payments into time deposits	(9)	(9)
Purchase of investment securities	(65)	(583)
Proceeds from withdrawal of investment securities	6	8
Purchase of non-current assets	(101)	(101)
Proceeds from sales of non-current assets	23	8,464
Payments for asset retirement obligations	(3)	(0)
Collection of loans receivable	0	0
Proceeds from guarantee deposits received	348	394
Repayments of guarantee deposits received	(21)	(712)
Payments for investments in capital	(31)	(4)
Net cash provided by (used in) investing activities	146	7,456
Cash flows from financing activities		
Increase in short-term loans payable	4,443	9,665
Decrease in short-term loans payable	(2,428)	(7,411)
Proceeds from long-term loans payable	13,522	29,606
Repayments of long-term loans payable	(6,155)	(15,769)
Proceeds from issuance of bonds	100	—
Redemption of bonds	(278)	(20)
Repayments of lease obligations	(1)	(2)
Repayments of installment payables	—	(16)
Proceeds from issuance of common shares	1	68
Purchase of treasury shares	(54)	(429)
Cash dividends paid	(541)	(1,015)
Proceeds from release of deposits as collateral	(10)	—
Net cash provided by (used in) financing activities	8,594	14,674
Net increase (decrease) in cash and cash equivalents	(909)	(999)
Cash and cash equivalents at beginning of period	4,214	8,191
Cash and cash equivalents at end of period	3,305	7,192

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

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

(Segment Information, etc.)

[Segment Information]

I. First Two Quarters of Term Ended December 2016 (from January 1, 2016 to June 30, 2016)

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

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	10,871	1,641	28	12,541	—	12,541
Intersegment net sales or transfers	—	—	—	—	—	—
Total	10,871	1,641	28	12,541	—	12,541
Segment income	1,861	945	28	2,836	(992)	1,844

(Note 1) The reconciliation of segment income of -992 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

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

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

Not applicable.

II. First Two Quarters of Term Ending December 2017 (from January 1, 2017 to June 30, 2017)

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

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	9,895	1,768	37	11,701	—	11,701
Intersegment net sales or transfers	—	—	—	—	—	—
Total	9,895	1,768	37	11,701	—	11,701
Segment income	2,732	857	37	3,626	(1,256)	2,369

(Note 1) The reconciliation of segment income of -1,256 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

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

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

Not applicable.

3. Other

Status of Contracts and Sales

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

Classification	Second quarter of term ending Dec. 2017 (from Apr. 1, 2017 to June 30, 2017)			
	Contract amount during the period		Balance of contracts at the end of the period	
	Number of units (units)	Amount (million yen)	Number of units (units)	Amount (million yen)
Mid- to high-rise housing, etc.	209	8,987	529	21,750
Other	—	1,909	—	10,876
Total	209	10,897	529	32,627

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

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

Name of segment	First two quarters of term ending Dec. 2017 (from Jan. 1, 2017 to June 30, 2017)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	41	1,987
	Tonarie Seiwadai	—	3,290
	Nihonbashi-kayabacho	—	2,200
	Nihonbashi-bakurocho	—	1,520
	2-chome, Kawaguchi, Nishi-ku	—	389
	Fukuoka Kasuga	—	231
	Detached housing	3	169
	Fukuoka Kasuga District 7	—	46
	Other	—	59
	Subtotal	44	9,895
Real estate leasing business			1,768
Real estate planning agency and consulting business			37
	Total		11,701

(Note 1) There are no transactions between segments.

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