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Notice on Review of Third Medium-Term Management Plan “IDEAL to REAL 2022” and Progressive Dividend Policy

ES-CON JAPAN Ltd. (ES-CON JAPAN) announces that a decision was made at the board of directors' meeting held today to review its third medium-term management plan “IDEAL to REAL 2022” (a period of three years from the fiscal year ending December 2020 to the fiscal year ending December 2022) announced on December 2, 2019, and the progressive dividend policy introduced in November 2016 as follows.

1. Background of the Review of Medium-Term Management Plan

ES-CON JAPAN announced its third medium-term management plan “IDEAL to REAL 2022” with the fiscal year ending December 2022 as the final fiscal year on December 2, 2019, and commenced proactive business development from January 2020 by setting a basic policy of putting management stability and sustainable growth on track as well as accurately responding to diversifying social issues through ESG promotion and aiming to maximize corporate value.

However, the outlook is extremely difficult to predict as economic activities have been significantly restricted and the economic and social environment has also changed drastically due to the occurrence of the COVID-19 pandemic in February 2020 not only in Japan but also across the world. In addition, the number of infected people has recently been on an upward trend in the Tokyo metropolitan area and central Tokyo, and possible second and third waves of COVID-19 are a matter of concern, resulting in a further increase in uncertainty.

Furthermore, ES-CON JAPAN forecasts that a long period of time will be required to recover from the COVID-19 pandemic.

Based on these factors, ES-CON JAPAN decided to drastically review its third medium-term management plan and withdraw it for the time being.

As described in “Summary of Accounts for First Two Quarters of Fiscal Year Ending December 2020 (Japanese GAAP) (Consolidated)” announced separately today, ES-CON JAPAN Group's business performance remained solid until the second quarter of the fiscal year ending December 2020. However, ES-CON JAPAN believes that it is necessary to watch the business environment, business progress, and such carefully, and make prudent management decisions from the second half of the fiscal year.

In such an environment, upon steadily grasping and analyzing significant changes in the situation inside and outside Japan, such as changes in economy, politics, work styles, and living environment, ES-CON JAPAN intends to establish and announce a new medium-term management plan as soon as possible by regarding it as an opportunity for ES-CON JAPAN Group to provide added value that matches the new society and realize sustainable growth.

2. Background of the Review of Progressive Dividend Policy

ES-CON JAPAN introduced the progressive dividend policy (a dividend policy that sets the dividend per share (DPS) for the previous fiscal year as the lower limit and “does not decrease the dividend amount, but rather only maintain or increase the dividend amount” in principle) as its dividend policy in November 2016 and has continued to implement it. However, ES-CON JAPAN has reviewed the “progressive dividend policy” based on the idea that it is necessary to further enhance internal reserves as it is extremely difficult to predict the future as described in 1. above, and decided to withdraw it.

Moreover, ES-CON JAPAN will maintain a payout ratio of 30% or more.

With regard to the dividend policy, ES-CON JAPAN will shift the focus to the securement of internal reserves by taking into account the current environment while paying attention to the balance with dividends, and intends to improve and maximize sustainable corporate value without changing the policy of placing utmost importance on return to shareholders.

3. Future Outlook

ES-CON JAPAN will announce the new medium-term management plan as soon as the details of the plan have been reviewed and resetting becomes possible.

Furthermore, no changes have been made to the full-year earnings plan for the fiscal year ending December 2020 and the dividend forecast at the end of the fiscal year ending December 2020 (amount of forecast dividend per share: 38 yen). However, ES-CON JAPAN will carefully watch the business environment, business progress, and such for the second half of the fiscal year onwards and promptly make an announcement when a change becomes necessary.