

## **ES-CON** JAPAN

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### Our Name Represents Our Core Functions

ES-CON was coined from a combination of “real estate” and “constellation.” All people connected by ES-CON JAPAN produce powerful lights of various colors creating a beautiful harmony that shines brightly into the future—we aspire to be a “constellation in the real estate industry.” Japan is the realm in which the company operates. Thus the name of ES-CON JAPAN Ltd. was adopted.



## Annual Report 2020

For the year ended December 31, 2020

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<https://www.es-conjapan.co.jp/english/>

## Committed to Building a Bright Future for Japan

ES-CON JAPAN Ltd. (“ES-CON JAPAN”) develops a comprehensive selection of real estate assets including retail, logistics, office and hotel, while primarily focusing on high-value condominiums and other residential properties. We at ES-CON JAPAN are committed to creating a new future for Japan by realizing ideal lifestyles and towns that envision the happiness and future of residents.



### Corporate Philosophy: Realizing the Importance of Being a Member of Society

The ES-CON JAPAN Group is committed to contributing to society in the best possible manner. Applying our findings derived from our efforts to do so generates results. At the same time, all members of ES-CON JAPAN pursue how they can realize the happiness they seek. Our staff is committed to assisting each other in realizing the goal of positively contributing to society.

In this process, we aim to improve society by delivering and realizing better ideas for a better life. We seek to transform the connections of people into a significant force through our human resources and to expand the possibilities of society through dynamic solutions and concepts generated through brainstorming.

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#### Forward-looking Statements

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to the management of ES-CON JAPAN and certain assumptions that are thought to be reasonable by ES-CON JAPAN. Accordingly, actual business performance and other results may differ materially. ES-CON JAPAN assumes no obligation to update any forward-looking statements in this report as a result of new information or future events.

## Performance Backed by Distinct Business Segments

The year 2020 was a challenging year both globally and in Japan. In the unpredictable situation brought on by the novel coronavirus (COVID-19) pandemic, the real estate market outlook is still unforeseeable. Under such an environment, we have steadily advanced our businesses centering on for-sale condominium sales. We reviewed the timing of the sale of some hotels and the postponement of the sale of logistics sites to the next fiscal year onward due to the spread of the COVID-19 infection. As a result, we posted an increase in sales but a decrease in profits year-on-year.

Real Estate Sales Business	Real Estate Leasing Business	Real Estate Planning Agency and Consulting Business
<b>Net Sales</b>	<b>Net Sales</b>	<b>Net Sales</b>
<b>71,485</b> million yen	<b>5,527</b> million yen	<b>295</b> million yen
<b>Segment Income</b>	<b>Segment Income</b>	<b>Segment Income</b>
<b>14,257</b> million yen	<b>2,381</b> million yen	<b>152</b> million yen

ES-CON JAPAN’s real estate sales business performed strongly in 2020 and we posted an increase in net sales by 7.2% to 71,485 million yen and in segment income by 3.3% to 14,257 million yen, both on a year-on-year basis. In the real estate sales business, sales of for-sale condominiums was strong backed by the robust actual housing demand during the COVID-19 pandemic, which was more solid than expected. Sales stood at 30,677 million yen (up 7.5% year-on-year), segment income was 3,591 million yen (up 38.5% year-on-year), and the number of condominiums sold was 652 units (up 4 units year-on-year) and the unit price increased to 4,705 million yen.

As for other sales in our real estate sales business, sales of LOGITRES Tojo, our first logistics facility development project, sales of revenue-generating real estate, sales of commercial facilities and a commercial site for approximately 19.8 billion yen to ESCON JAPAN REIT Investment Corporation (“ESCON REIT”) and Chuden Real Estate Co., Inc. (“Chuden Real Estate”) significantly contributed to earnings. On the other hand, we reviewed the timing of the sale of some hotels and postponed the sale of logistics sites to the next fiscal year onward that resulted in an increase in sales and a decrease in profit. Net sales stood at 40,807 million yen (up 6.9% year-on-year) and segment income was 10,666 million yen (down 4.8% year-on-year).

In the real estate leasing business, we focused on leasing activities and the property management business in order to raise asset value, including the increase in rental revenues for owned revenue-generating real estate. Net sales stood at 5,527 million yen (up 10.1% year-on-year) and segment income was 2,381 million yen (down 20.7% year-on-year).

In the real estate planning agency and consulting business, proactive efforts were made in receiving orders for planning, consultation and other consigned services by making the best use of our planning and multifaceted business building abilities. Net sales stood at 295 million yen (down 20.7% year-on-year) and segment income was 152 million yen (down 46.9% year-on-year).

The year 2021 will also be of note with ES-CON JAPAN’s role as a life developer becoming clearer as we reinforce comprehensive development of various types of real estate including for-sale condominiums and detached houses. This will be accomplished through procurement of high-quality sites, neighborhood shopping centers, and logistics facilities, as well as by our developing not only the condominium structures but also by conceptualizing and developing the lives of residents.

#### Assets by Segment

(Unit: million yen)

	Fiscal 2020	Fiscal 2019
Condominiums	50,880	43,588
Retail properties, etc.	25,992	35,155
Rental residences	4,072	722
Hotels	2,326	1,734
Other	5,306	2,655
<b>Total</b>	<b>88,578</b>	<b>83,854</b>

## To Our Shareholders

Thank you for your continued support and patronage. We would like to express our deepest sympathy to those who suffered and are suffering from the COVID-19 and the spread of the pandemic.

Fiscal year 2020 was a year of great challenge for the world and Japan. The pandemic made the abnormal, normal and significantly questioned our approaches to work, life, etc. The economic environment has also changed dramatically. During the state of the emergency declared in April 2020, visitors to our sales centers decreased significantly and sales were stagnant. However, since then housing demand remained strong and a stable supply will continue. The neighborhood shopping centers we own continued operations during the state of emergency, and the sales of supermarkets, drugstores and other tenants were stable, maintaining year-on-year increases. On the other hand, restaurants, apparel shops, sports clubs and other tenants are still in a severe situation with the sluggish return of customers. Despite strong financial results, we reviewed the timing of the sale of some hotels and the postponed sale of logistics sites to the next fiscal year onward due to the pandemic which resulted in an increase in sales but a decrease in profit.

In such an uncertain business environment, we saw a dramatic change in our business environment. To strengthen our financial standing, we implemented a third-party allotment in April 2021 with Chubu Electric Power Co., Inc. (hereinafter “Chubu Electric Power”) that has a strong corporate credit as the allottee, and became a consolidated subsidiary of Chubu Electric Power. Moreover, we temporarily rescinded our Medium-Term Management Plan and newly formulated our Fourth Medium-Term Management Plan “IDEAL to REAL 2023” this year. The basic policy under the new plan is “Transformation” and “Rapid Progress.” Management under the plan is focused on improving the structure of the balance sheet and transforming the focus from flows to stock. ES-CON JAPAN will demonstrate its synergies with the Chubu Electric Power Group and seek to meet the final year targets of net sales of 110 billion yen and operating income of 16 billion yen.

We thank you for your support in amid the uncertainties and challenges that the world faces under the continuing spread of COVID-19, and we look forward to a stellar fiscal 2021.

### Takatoshi Ito

President and Representative Director  
ES-CON JAPAN Ltd.



## Significant Achievements of Fiscal 2020

### January

- Acquired the naming rights for the new Nippon-Ham Fighters ballpark: ES CON FIELD HOKKAIDO

### February

- ESCON REIT conducts its first public offering since listing
- Open tonarie Utsunomiya, ES-CON’s first neighborhood shopping center in the Kanto region

### March

- Participation with partner in Los Angeles, California condominium project
- Joint projects announced with Chuden Real Estate; Grand Le JADE Shirakabe Rinzennotei and Suitashi Fujishirodai 5-chome Project (tentative name)
- Raise three billion yen in funding through ESG/SDGs assessment-based loan



Grand Le JADE Shirakabe Rinzennotei

### April

- Investment in SQUEEZE Inc. and participation in hotel operation business

### May

- Environment: Earn environmental management system (EMS) certification under Eco Action 21

### July

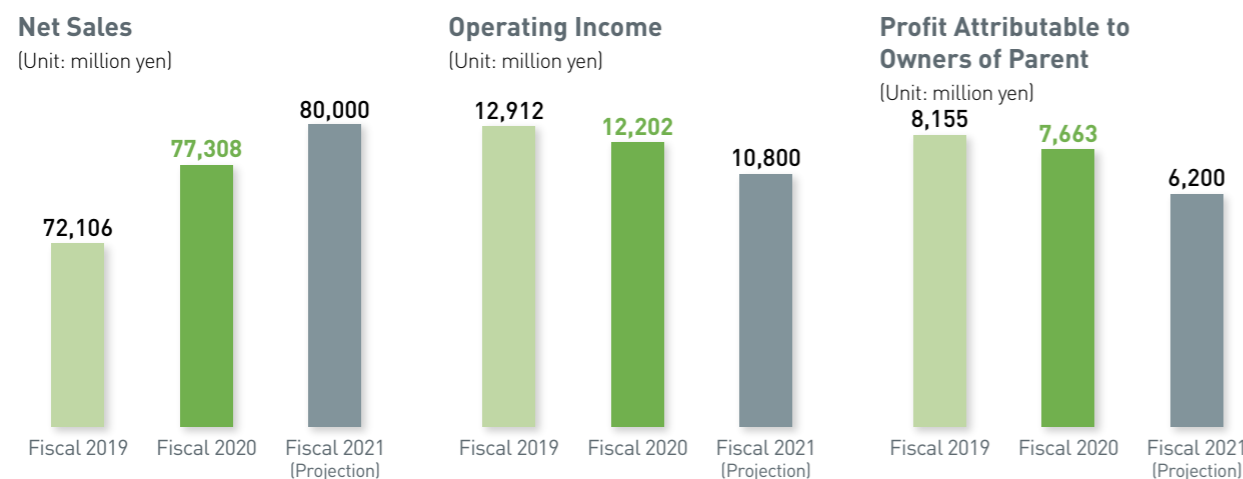
- Earn DBJ Green Building certifications for tonarie Yamato-Takada and tonarie Toga-Mikita, commercial facilities owned by ESCON REIT
- Review of Third Medium-Term Management Plan “IDEAL to REAL 2022” and rescind progressive dividend policy

### August

- Soyoca Fujimino (currently tonarie Fujimino) awarded CASBEE certification
- Joint projects announced with Chuden Real Estate: Grand Crea Ichinomiya and Le JADE Kakegawa Ekimae

### September

- Open Hokkaido Office; Fukuoka Office renamed Kyushu Office
- Formation of private investment fund and investments in silent partnership (Kamikitadai Ekimae development, Fujisawa development)



## October

- Good design awards bestowed on Grand Le JADE Todoroki and Le JADE Tsujido Higashikaigan
- Sale of permanent use rights at columbarium and management of columbarium commence
- Acquisition of Suroy Mall Nagamine

## November

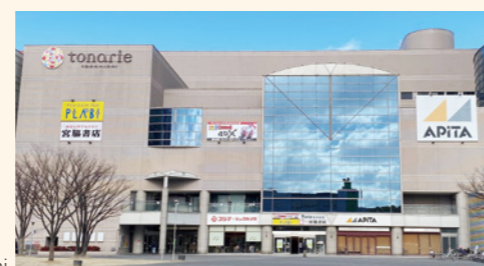
- 3 Star and Green Star ratings earned in Development Benchmark of GRESB real estate assessments
- Completion of ZEH builder certification registration by ES-CON HOME & ES-CON CRAFT

## December

- Acquisition of preferred negotiation rights of partner companies for the JR Kitahiroshima Station “West Exit Area Revitalization Project” in Kitahiroshima City, Hokkaido
- Raised 3.5 billion yen in funding through ESG/SDGs assessment-based financing (Tsukuba CREO Project (commercial facility))
- Formation of private investment fund and investments in silent partnership (Keio Inagi Ekimae development)

## January 2021

Opening of tonarie Yokkaichi  
Formation of private investment fund and silent investment (Odakyu Isehara Ekimae Sakuradai development)



tonarie Yokkaichi

## February 2021

Announcement of “IDEAL to REAL 2023,” the Fourth Medium-Term Management Plan  
Earn DBJ Green Building certifications for tonarie Minami-senri and tonarie Seiwadai, commercial facilities owned by ESCON REIT

## March 2021

Conclusion of a partnership agreement for the JR Kitahiroshima Station “West Exit Area Revitalization Project”  
Reception of the Award for Excellence in the Environmental Human Resource Development  
Corporate Awards 2020

## April 2021

Implementation of the capital increase through third-party allotment with Chubu Electric Power as allottee and becoming a consolidated subsidiary of Chubu Electric Power.

Investments in Ryukyu Football Club Co., Ltd., the operator of the J2 professional soccer team “FC Ryukyu”

Formation of a private fund and investment in silent partnership (Kawasaki Minamimachi residential bridge project)



FC Ryukyu emblem

## ES-CON JAPAN Becomes Consolidated Subsidiary of Chubu Electric Power in April 2021

ES-CON JAPAN concluded a capital and business partnership agreement with and became an equity-method affiliate of Chubu Electric Power in 2018. Since then, we have aggressively developed business by positioning the Chubu region as a core business area comparable to the Tokyo metropolitan area and the Kansai region. As a result of considering various options and seeking effective means of further growth of business and enhancement of management stability, ES-CON JAPAN conducted a capital increase by third-party allotment with Chubu Electric Power, with its strong corporate credit standing, as the allottee, and became its consolidated subsidiary.

ES-CON JAPAN aims to further increase its corporate value by realizing both enhancement of its management stability and an increase in its earnings potential.

### Details of Third-Party Allotment

Deadline for payment	April 5, 2021
Number of new shares to be offered	26,619,000 shares of common stock
Paid-in amount	769 yen per share
Total paid-in amount	20,470,011,000 yen

### Major Shareholders (before and after capital increase)

Major Shareholders Before Capital Increase (as of end of Fiscal 2020)	Ownership Ratio (%)	Major Shareholders After Capital Increase (as of April 5, 2021)	Ownership Ratio (%)
Chubu Electric Power Co., Inc.	33.01	Chubu Electric Power Co., Inc.	51.54
Nissei Build Kogyo Co., Ltd.	9.34	Nissei Build Kogyo Co., Ltd.	6.75
Tenma Seiryu Co., Ltd.	5.19	Tenma Seiryu Co., Ltd.	3.75
The Master Trust Bank of Japan, Ltd. (Trust account)	3.57	The Master Trust Bank of Japan, Ltd. (Trust account)	2.59
Custody Bank of Japan, Ltd. (Trust account)	3.14	Custody Bank of Japan, Ltd. (Trust account)	2.27
Koryu Oh	3.02	Koryu Oh	2.18
Takatoshi Ito	1.73	Takatoshi Ito	1.25
Custody Bank of Japan, Ltd. (Trust account 5)	0.81	Custody Bank of Japan, Ltd. (Trust account 5)	0.59
Keiko Akashi	0.76	Keiko Akashi	0.55
Custody Bank of Japan, Ltd. (Trust account 6)	0.74	Custody Bank of Japan, Ltd. (Trust account 6)	0.53

\*Ownership ratio after the issue are calculated using as the denominator the figure for voting rights (696,072 voting rights) for the total of 69,607,200 shares obtained by subtracting from the total of 71,961,887 shares issued and outstanding as of December 31, 2020, 2,344,400 shares of treasury stock, and 10,287 shares in less than the minimum trading unit as of that same date, plus the increase in voting rights (266,190 voting rights) resulting from this capital increase by third-party allotment (962,262 voting rights). The ownership ratios of shareholders other than Chubu Electric Power assume no change in shareholdings since December 31, 2020.

### Concluded New Capital and Business Partnership Agreement with Chubu Electric Power (effective February 24, 2021)

1. Enhancing joint efforts related to energy supply and facility construction
2. Joint research and joint implementation in businesses related to next-generation smart houses, connected homes, and so forth
3. Further enhancing the partnership with Chuden Real Estate, a member of the Chubu Electric Power Group
4. Enhancing partnerships related to the effective utilization and development of unused or underused land belonging to the Chubu Electric Power Group
5. Joint initiatives in businesses that contribute to society, including urban development

### Exert Synergistic Effects with the Chubu Electric Power Group

Since the conclusion of a capital and business partnership agreement with Chubu Electric Power in August 2018, ES-CON JAPAN has steadily developed business in the Chubu region with the Nagoya Branch it established. ES-CON JAPAN has steadily exerted synergistic effects such as utilizing the warehousing function for sales of the properties it developed and exchanging personnel with group companies of Chubu Electric Power, in addition to the promotion of five joint projects with Chuden Real Estate (four in the Chubu region and one in the Kinki region).

ES-CON JAPAN will strive to realize large-scale redevelopments in urban centers and in front of stations and large-scale urban developments as well as a “new form of communities” through further exertion of synergy effects with Chubu Electric Power Group that would be created by becoming its consolidated subsidiary.

### Joint Projects with Chuden Real Estate

● Grand Le JADE Shirakabe Getsuronotei



● Grand Le JADE Shirakabe Rinzennotei



● Suita-shi Fujishirodai 5-chome Project

[complexes combining retail and residential functions]

● Le JADE Kakegawa Ekimae



### Fourth Medium-Term Management Plan (Fiscal 2021 – Fiscal 2023) “IDEAL to REAL 2023”

With challenging economic conditions continuing due to the COVID-19 pandemic and the real estate industry facing a business environment in which the future impact on the real estate market remains difficult to predict, ES-CON JAPAN decided in July 2020 to cancel its Third Medium-Term Management Plan “IDEAL to REAL 2022” covering the three-year period from Fiscal 2020 through Fiscal 2022.

Later, ES-CON JAPAN identified an excellent opportunity to proceed with further business expansion and enhancements to its management stability, based on the finding that the impact of COVID-19 on its business was relatively minor compared to initial expectations. ES-CON JAPAN considered various options in search of the most effective means of capitalizing on this opportunity. As a result, ES-CON JAPAN determined it could strengthen its financial standing through a capital increase realized by becoming a consolidated subsidiary of Chubu Electric Power which offers strong corporate credit, by issuing new shares through third-party allocation. Thus, it established its Fourth Medium-Term Management Plan “IDEAL to REAL 2023” covering the three-year period from Fiscal 2021 through Fiscal 2023.

### Basic Management Strategy Policies

1. Establishing business foundations able to withstand unexpected changes in economic conditions.
2. Simultaneously changing the revenue structure and expanding business domains.

### Basic Policy: Transformation and Rapid Progress

#### Transformation

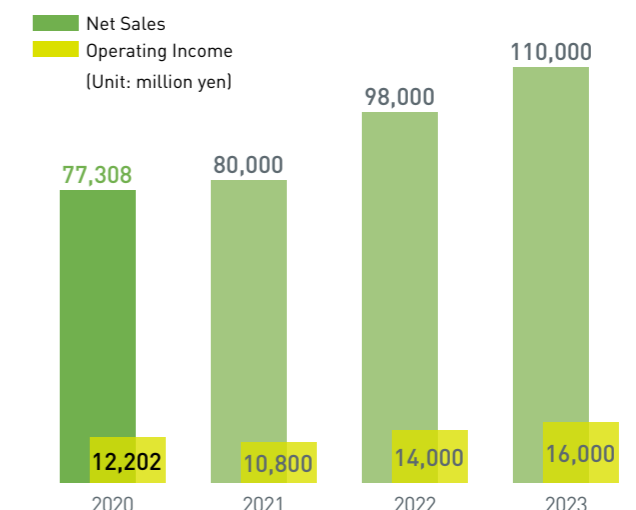
- Proactive investment in long-term revenue-generating real estate and improving the structure of the balance sheet
- Transforming the focus of management from flows to stock

#### Rapid Progress

- Demonstrating synergies in the Chubu Electric Power Group
- Achieving net sales of 110 billion yen and operating income of 16 billion yen (in the final fiscal year of the Medium-Term Management Plan)

### Performance Plan

ES-CON JAPAN will realize its basic policy “Transformation” by planning to set new record profits through positioning the year 2021 as a “Stage of structural reforms to balance sheet and revenues” and the year 2022 as a “Stage of setting new record profits.” We position the year 2023 as a stage of further rapid progress through realizing the Transformation.



## Management Targets

Strive to transform the revenue structure through measures such as proactive investment in long-term revenue-generating real estate in addition to increasing the share of profits from leasing.

	Fiscal year ended December 2020 Results	Fiscal year ending December 2021 Plan	Fiscal year ending December 2022 Plan	Fiscal year ending December 2023 Plan
Share of profits from leasing (Note 1)	14.2%	23.0%	24.0%	26.0%
Return on equity (ROE)	21.2%	12.0%	13.0%	13.0%
Return on invested capital (ROIC)	6.6%	4.0%	4.0%	4.0%
Equity ratio	25.8%	29.0%	26.0%	23.0%
Share of long-term earnings from real estate (Note 2)	9.5%	12.0%	14.0%	18.0%
Net assets	38.6 billion yen	61.0 billion yen	66.0 billion yen	72.0 billion yen

(Notes) 1. Share of profits from leasing: Leasing segment profits/segment total profits (not including adjustments).  
2. Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as noncurrent assets/net assets.

## Investment Plan

ES-CON JAPAN strives to transform the revenue structure by expanding the amount of long-term revenue-generating real estate fourfold through making investment of 220 billion yen in gross investment amount and proactive investment in long-term revenue-generating real estate during the period of this Medium-Term Management Plan.

### Cumulative Amounts Invested Over Three Years (2021-2023)

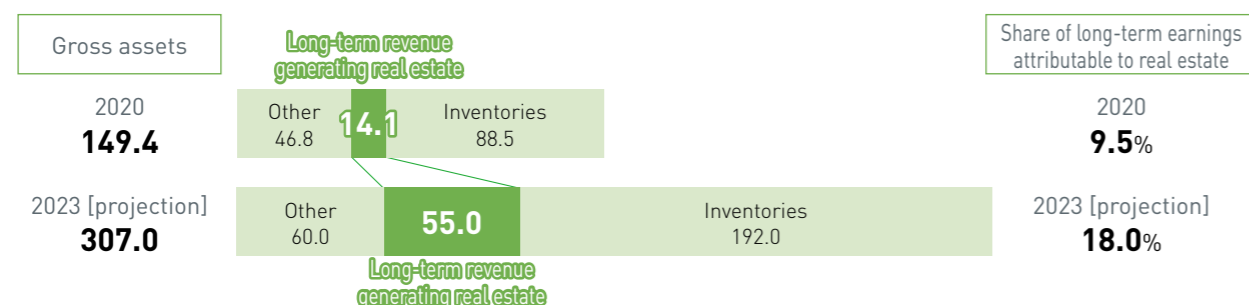
(Unit: billion yen)

	2021	2022	2023	Three-year cumulative total
Gross investment amount	55	70	95	220
Investment in revenue-generating real estate	30	40	60	130
Investment in development of revenue-generating real estate	5	10	15	30
Investment in medium-term revenue-generating real estate [Note]	15	20	25	60
<b>Investment in long-term revenue-generating real estate</b>	<b>10</b>	<b>10</b>	<b>20</b>	<b>40</b>
Investments in other development	25	30	35	90
Amount recovered	0	0	30	30
Net investment	55	70	65	190

(Note) Real estate generating rental revenues, acquired while being leased to tenants and intended for sale after increasing its value

### Projected Asset Composition After Three Years

(Unit: billion yen)

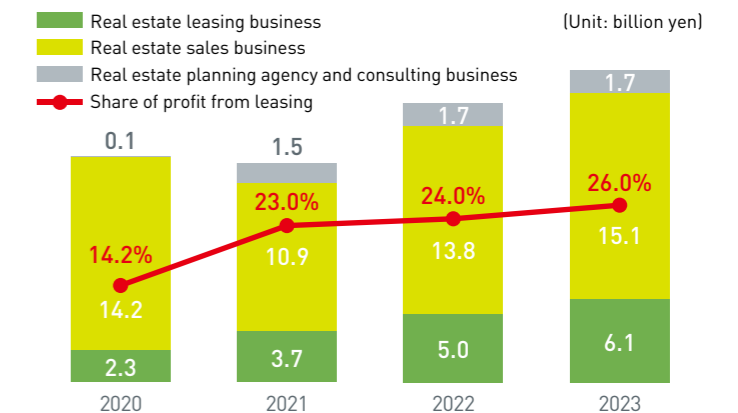


## Management Strategies Under the New Medium-Term Management Plan

### A. Transformation to a Structure of Sustained and Stable Revenues

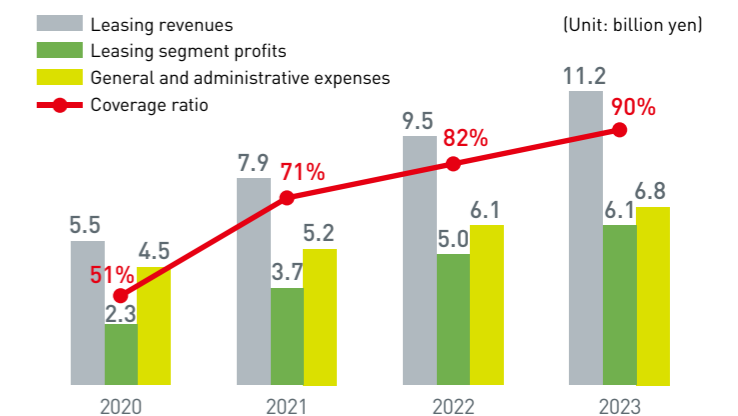
#### 1. Increasing the share of profits from leasing to 26% or higher

We intend to transform the revenue structure by expanding the share of segment income from real estate leasing to all reportable segments (real estate sales business, real estate leasing business, and real estate planning agency and consulting business) from 14.2% in Fiscal 2020 to 26% or more by Fiscal 2023, which is the period covered by the plan.



#### 2. Establishing a revenue structure wherein leasing segment profits cover total general and administrative expenses

We intend to increase coverage ratio to 90% in Fiscal 2023 (final fiscal year of the medium-term management plan).



### B. Use Diversification and Geographic Strategies to Achieve Stable Growth in Existing Core Businesses

#### 1. Condominiums

While aiming for a stable annual supply of 1,200 units from Fiscal 2022 and after, we will focus on development of condominiums in harmony with the natural environment on sites characterized by natural abundance (e.g., OST RESIDENCE KARUIZAWA) as the diversification strategy. Furthermore, we will provide a stable supply in Japan's five major urban areas (Kanto, Kansai, Chukyo, Kyushu and Hokkaido regions).



OST RESIDENCE KARUIZAWA

#### 2. Commercial and rental facilities

We will proactively engage in new development of neighborhood shopping centers and retail sites as well as investment to raise values, centering on the "tonarie" brand. We will operate business in various retail sites

across Japan, including those connected directly to railway stations, in high population density areas, and in highly convenient roadside locations, as the region-specific strategy while promoting development of complexes combining retail, residential, and employment functions, as typified by the Tsukuba Station integrated development project in Ibaraki Prefecture, under the diversification strategy.

### 3. Listed REIT

As a sponsor firm of ESCON REIT, we aim to continuously develop retail facilities and retail sites rooted in local communities and realize mutual growth by supplying properties to ESCON REIT.

### 4. Hotels

We have developed 17 projects (of which 15 were sold) through January 2021. Despite uncertainties related to the spread of COVID-19, we will carefully make decisions with regard to future developments based on the prospects of post-COVID recovery of inbound tourism demand.

## C. Growing New Businesses into Core Businesses Through Business Diversification and Area Strategies

### 1. Logistics

We launched “LOGITRES,” a new logistics facility brand, and the development of the first project “LOGITRES Tojo” is now complete. In October 2019, we acquired a development site in the same area as the second project.

In light of the growing e-commerce market and growing demand for logistics facilities, our policy is to strengthen efforts in this sector as a potential new core business.

### 2. Rental apartments

Our policy calls for enhancing efforts in apartment development as a potential core business by drawing on our know-how in the condominium business, our mainstay business, to develop apartments to meet various needs, including student apartments, company housing, and apartments for one-person households

### 3. Private REIT

Having ventured into the apartment market in which conditions remain solid despite future uncertainty, we plan to, as a new initiative, form ES-CON Private REIT (tentative name) as a private REIT to invest mainly in apartments within the year 2021.

## D. Proactively Pursuing New Business Domains

### 1. New businesses

We will proactively develop overseas business, sale of permanent use rights at columbariums, large-scale urban development business, etc.

### 2. Other new initiatives

We will also proactively press ahead with M&As, alliances and digital transformation.

## E. Demonstration of Synergies Within the ES-CON JAPAN Group

We will enhance the stable earnings capabilities of subsidiaries through our diverse development strengths.

## F. Expanding Offices and Branches

We will develop multifaceted real estate business centered on the five major urban areas of Kanto, Kansai, Chukyo, Kyushu, and Hokkaido regions.



## G. Seeking Further Synergies With the Chubu Electric Power Group

In addition to synergies generated through 2020 (promoting joint projects, making effective use of real estate owned by the Chubu Electric Power Group, prospective buyers for our real estate development projects, exchange of human resources, etc.), we will seek further synergies attained by becoming a consolidated subsidiary. (Please refer to pages 6 and 7 for details.)

## H. Promoting ESG Initiatives

### 1. Management Philosophy on ESG

Under our corporate slogan of “IDEAL to REAL” (bringing ideals into reality to create a new future), we seek to realize a sustainable society and sustainable growth by addressing social issues through promotion of ESG initiatives as a life developer creating ideal living, meeting needs that change with the times.

### 2. Basic Policy on ESG

We seek to grow as a company required by society in compliance with laws and regulations on environment, social and governance (ESG) and the promises we make, and through promotion of ESG initiatives.

## I. Returns to Shareholders

Although we announced a review of the progressive dividend policy\* on July 30, 2020, we have decided to maintain this policy for Fiscal 2020 and beyond.

\*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 maintains or increases the dividend amount” in principle.

### Trend in Dividends

We plan to maintain a dividend per share of at least 38 yen during the period of this Medium-Term Management Plan.

	2016	2017	2018	2019	2020	2021	2022	2023
Dividend per share [yen]	15	18	32	36	38	38 or more	38 or more	38 or more
Payout ratio [%]	25.5	22.0	30.2	30.2	33.9	—	—	—



## Interview of President Takatoshi Ito

ES-CON JAPAN Ltd.

### Q Could you first tell us about the impact of the COVID-19 pandemic?

A little over a year has passed since COVID-19 began to spread and eventually become a pandemic, but the future is still uncertain. On the other hand, ES-CON JAPAN's condominium business, which accounts for about 50% of our net sales, has not been affected significantly because the actual housing demand in the COVID-19 pandemic, has been more solid than expected. In Fiscal 2020, the

impact of the spread of COVID-19 on financial results was as little as around 10% in terms of both sales and profits compared with the initial plan.

The decrease in revenue is mainly attributable to the changes in the sales timings of some hotels and the delay in the sale of logistics sites due to the spread of COVID-19.

### Q How have the retail facilities you own performed?

In the case of the community-based shopping centers we developed, overall sales performed better than in the previous year but dining and apparel tenants specifically experienced drops in sales. Recovery is yet to be seen among these tenants and there is a risk that any prolonging of the current situation will lead to them moving out.

However, the emerging era has brought about change. Specifically, the penetration of e-commerce has resulted in people buying products on the web more than before. Contrarily, retail tenants

representing experiences and products that cannot be bought unless you go to that store are increasing and needed local residents.

What does this mean for ES-CON JAPAN? It means we must change our tenant composition to one that is needed by local residents, eyeing the future of the facility. We are proactively leasing towards potential tenants that would satisfy local needs as we constantly strive to enhance the value of our retail facilities.

### Q Have any clear differences in sales of retail facilities, etc. been seen between before and after the declarations of states of emergency issued on multiple occasions in Japan?

The number of visitors at our community-based shopping centers is on the rise, but sales did not grow drastically after the lifting of the declarations as sales, etc. had been relatively stable even during the periods of the declarations. On the other hand, the conditions of urban retail facilities were tough

during the period of the declarations, so the number of visitors and sales will recover after the lifting. In particular, community-based shopping centers with fresh food supermarkets as anchor tenants are stable.



## Q What is the intent and future strategy behind rescinding the Third Medium-Term Management Plan “IDEAL to REAL 2022” in 2020 and newly formulating the Fourth Medium-Term Management Plan “DEAL to REAL 2023” in February 2021?

When we rescinded our Medium-Term Management Plan last July, the significance of the impact of the spread of COVID-19 on the economic and social environment was still uncertain, so we consider it necessary to rescind our Medium-Term Management Plan, focus on the business environment, business progress, etc., and make more careful management judgments. Of course, the factors for the formulation of the new Medium-Term Management Plan include the drastic changes in the real estate markets including hotels, offices, and urban commercial facilities due to the spread of COVID-19. As the first measure, we conducted a capital increase through third-party allotment with Chubu Electric Power as the allottee and became a consolidated subsidiary of Chubu Electric Power. We also realized capital enhancement by funding of about 20.4 billion yen based on the

approval of shareholders at the 26th regular general meeting of shareholders held on March 26 this year. These drastic changes in the internal environment are the important assumptions of the new Medium-Term Management Plan.

The basic policy of the new Medium-Term Management Plan is “Transformation” and “Rapid Progress.” Transformation means a shift of the revenue structure. It is one of the themes to shift the focus of management from flows to stock and increase the ratio of revenue-generating rental properties to whole-segment profits from the result of Fiscal 2020, 14.2%, to 26% by 2023, which is the final fiscal year of the Medium-Term Management Plan. We will aim to achieve sales of 110 billion yen and operating income of 16 billion yen by Fiscal 2023 as Rapid Progress.

## Q What are your thoughts on the meaning and significance of becoming a subsidiary of Chubu Electric Power through third-party allotment?

One clear fact is that thanks to becoming a consolidated subsidiary of Chubu Electric Power, we can now further improve our corporate value because our trust has been enhanced and our credit has increased dramatically, which enabled diversification of funding methods and reduction of funding costs. Thanks to this, we can enhance our synergy with the Chubu Electric Power Group and grow to be a company that endeavors to perform large-scale redevelopment of city centers and areas in front of stations, large-scale urban development, and realization of “new community-style” and is engaged in the development phase of urban development

necessary for the next generation. We would like to establish such an organization regardless of the spread of COVID-19.

Although we have become a consolidated subsidiary of Chubu Electric Power, we are still listed as parent-child listings, but of course, we have to establish an organization that also meets the expectations of minority shareholders. Specifically, the board of directors consists of nine directors in total, and the five directors who are non-executive directors or auditing committee members are all outside directors, while the remaining four directors are independent officers for supervision of our

management. Moreover, this January, we also recruited seven employed executive officers for the enhancement of the execution system. These activities aim to establish an organization that can accelerate execution of operation and boldly challenge business while managing risks, so the speed of our

decision-making will be maintained even though we have become a consolidated subsidiary.

I feel that we succeeded in building the foundation for the basic policy of the new Medium-Term Management Plan of “Transformation” and “Rapid Progress.”

## Q How is the progress of the two big projects in Hokkaido, namely the district development adjoining the new ballpark of the Hokkaido Nippon-Ham Fighters (ballpark concept) and the JR Kitahiroshima Station West Exit Area Revitalization Project in Kitahiroshima?

The new ballpark “ES CON FIELD HOKKAIDO” is scheduled for opening in 2023 and we are developing the area surrounding the ballpark upon consultation with Kitahiroshima City and the Hokkaido Nippon-Ham Fighters. We planned and proposed the JR Kitahiroshima Station West Exit Area Revitalization Project, which will be an important hub for accessing the ballpark, and was officially selected as a partner company in March 2021. We will make use of our development know-how for the development of the area in front of Kitahiroshima Station eyeing 10 to 20 years from now. We will be engaged together in the ballpark concept and the development of the area in front of Kitahiroshima Station, which will be a gateway for prosperity for all of Kitahiroshima.



Conceptual drawing of JR Kitahiroshima Station West Exit Area Revitalization Project

## Q What is the significance and mission behind ES-CON JAPAN's firm commitment to investments in sports, more precisely “investments in society,” such as its investment in the J2 professional soccer team FC Ryukyu based in Okinawa in addition to the activities in Hokkaido?

It is important to contribute to the development of the region based on the local community. To do so, we have to be engaged in not only our business activities but also the promotion of education and culture. Participation in the ballpark concept of the Hokkaido Nippon-Ham Fighters and sponsoring

FC Ryukyu are considered to lead to the promotion of education and culture. Professional baseball and the J-League are very popular in Japan. Support for sports contributes to the development of the region and education of children, so we will contribute to society through business activities.

**Q** ES-CON JAPAN has adopted a strategy to reinforce the development of logistics facilities, but what are the reasons behind this and the direction?

Demand for logistics facilities has increased under the spread of COVID-19. While the popularity of e-commerce will grow going forward, the building of logistics facilities will be sought socially to meet demand in the market. We will aim to reinforce the logistics facility development business in order to support the construction of logistics networks suitable for the needs of tenant companies.

In addition, we have been engaged in the preparation of the land readjustment business as a commercialization examination advisor since before the

establishment of the Urban Regeneration and Land Readjustment Association. The development of logistics facilities is one of the most important categories in consideration of reuse with multiple landowners after land readjustment. Therefore, we are reinforcing the organization of the logistics division for further reinforcement of the logistics business. From now on, we will endeavor to make the logistics facility development business one of the growth engines of ES-CON JAPAN.

**Q** What is the scale of logistics facilities that ES-CON JAPAN is developing?

So far, we have focused on a scale of one to two layers, a land area of about 6,000 to 10,000 tsubos, and total construction costs of 5 to 10 billion yen. Because our financial foundation has been reinforced upon becoming a consolidated subsidiary of Chubu Electric Power, we would like to be more actively engaged in larger-scale logistics facility

development.

On the other hand, in rural areas in particular, demand for logistics facilities of the scale we have been handling is still large. Through such logistics facility development, we will meet demand in each area and establish a certain position in the market of logistics facility development.

**Q** For real estate developers, procurement of land for business use is the lifeline. How are the short-term and medium-term procurement conditions?

As of the first quarter of the fiscal year ending December 2021, we have acquired around 80% of the commercial land we plan to have prepared by 2023, which is the final fiscal year of the new Medium-Term Management Plan. Procurement has been proceeding steadily, and we will aim to procure 100% of the plan by around this summer.

Moreover, we will also actively pursue acquisition of revenue-generation properties and M&A

since our capacity has sufficiently improved sufficiently thanks to the capital increase through third-party allotment. In spite of the COVID-19 pandemic, real estate prices have not dropped as much as expected. This is why collection of good properties is our lifeline. Since we have realized diversification of funding methods and capital increase, it is important to quickly grasp information about good commercial land.

**Q** What are your thoughts about the future of hotel development as the spread of COVID-19 has dramatically changed the hotel market?

We have been actively engaged in hotel development as a general developer and basically sell the hotels after completion. We have already completed sale of 15 of the 17 hotels we developed. Considering the future of the hotel market, there is no denying that the supply of budget hotels is excessive, but there will be needs for “small luxury” hotels for the wealthy who cannot travel abroad due to travel restrictions. More specifically, demand for products that fuse hotels and Japanese inns (ryokan) is expected to

grow, especially in areas within a one-hour drive of Tokyo like Karuizawa, Atami, and Hakone.

In the future, the development of hotels buoyed by domestic demand independent from inbound demand, etc. will be sought. It is very important to create high added value in attractive locations for both small luxury hotels and residences. We would like to boldly challenge the business domains where no other developer has focused their efforts in order to create new markets.

**Q** Is “OST RESIDENCE KARUIZAWA” for which ES-CON JAPAN has been engaged in development as a joint business with Wellwood Ltd. (Minato, Tokyo/President: Shinya Kihara) be what you refer to as a small luxury residence?

Yes. We are considering the adoption of such a concept for OST RESIDENCE KARUIZAWA and the Hayamamachi, Miura, Kanagawa Project (provisional name), which we acquired in September 2020. Construction of buildings to as high as allowed under height regulations in order to maximize floor area ratio is common. On the other hand, for small luxury residences, our focused

development concepts are securing a wide ceiling height without using up the floor area ratio and realization of ocean views in every unit in the project of Hayamamachi, etc. Of course, this kind of development raises the price range of products, but judging from the robust sales of OST RESIDENCE KARUIZAWA, I am confident there are customer segments seeking such “ideal properties.”

**Q** About two years ago mentioned ES-CON JAPAN was reinforcing the direct sales of condominiums, but are you also considering direct sales of small luxury properties?

For reinforcement of direct sales, direct experiences and sensitivity are important, so it is necessary to experience sales of various properties and absorb knowledge. Of course, at first, we will sell properties under the support of partner companies, but we aim to sell small luxury properties directly as well as share the goal of refining sensitivity in

product development and carefully handle the entire process from land procurement to product planning, sales, and after-sales services. Through such organizational reinforcement, we would like to grow into a stronger organization within the three years of the Medium-Term Management Plan.

**Q** Next, let me ask you about the overseas strategy of ES-CON JAPAN. Since you invested in a Hawaii-focused real estate investment fund in February 2019, you have been engaged in joint investments and joint businesses in Thailand and Los Angeles. On the other hand, the environment for business has become more difficult due to restrictions on overseas travel, etc. due to COVID-19. How are you positioning the overseas business going forward?

As for our three ongoing projects in Hawaii, Thailand, and Los Angeles, we are proceeding with business with good and reliable partners. However, because it is now difficult to travel abroad, starting new business with new partners in new locations is difficult. After the spread of infection calms down,

we would like to consider further expansion of overseas business. The overseas business is basically a joint business with local partners, so we will proceed with the business upon careful construction of trust relationships.

**Q** Recently, ESG efforts have become essential as a method to demonstrate corporate social responsibility. What is the recent progress of ES-CON JAPAN's ESG activities which it embarked on several years ago?

We established a cross-group, cross-department ESG promotion group for which the officer in charge of the president's office is responsible, and have been promoting activities in terms of "environment," "society," and "governance."

Specifically, for the environment, we completed construction of "Le JADE Okurayama," our first environment-friendly ZEH condominium (Net Zero Energy House) and will continue to develop ZEH. In addition, we are promoting various efforts such as the introduction of solar power generation in the logistics facility "LOGITRES Tojo," which we developed, and acquisition of certification of the Japanese unique environment management system "Eco Action 21" formulated by the Ministry of the Environment.

As for society, we have been engaged in such activities as activation of community vitalization through the development of the community-based shopping center brand "tonarie" and contribution to the creation of local communities. For example, we are proceeding with a project for the integrated

development of multiple retail facilities we acquired in front of Tsukuba Station in Tsukuba, Ibaraki, eyeing activation of the entire area as "ES-CON City Tsukuba." We are developing not only retail facilities but also offices and condominiums in this area for urban development and prosperity of the entire area in front of the station. We have started the sale of the condominium "Le JADE Tsukuba Station Front" which received a great response from local residents. As a developer, we want to accelerate our efforts to create bases of exchange in local communities toward the next generation through our business.

In terms of governance, we are focusing on the establishment of a transparent management organization. As I mentioned, we have separated the supervision and execution of management, for example, by appointing five directors who are non-executive directors or auditing committee members and making the remaining four officers independent officers, and we would like to fulfill our corporate social responsibility through great governance.

**Q** Could you give us an update on "ES-CON HOME" and "ES-CON CRAFT," which run detached house businesses mainly in Saitama Prefecture and became subsidiaries in 2019?

Sales, profits, etc. have been steady as expected since we obtained the shares of these two companies and made them subsidiaries in 2019. Through ES-CON HOME, I strongly feel the needs of customers for detached houses as well as the strengths of companies providing detached houses in regions where demand for detached houses is stronger. In addition to ES-CON HOME, which sells detached houses and condominiums, ES-CON CRAFT, which runs a detached house construction business,

is also a group company. Thanks to the activities of these two companies, we can enjoy a certain level of competitiveness. Going forward, we want to gradually widen the business area centering around the area around Omiya and not only purchase land and construct and sell buildings but also develop products with high quality and characteristics in order to avoid competition with so-called "power builders" who sell many small-scale ready-built houses at low prices.

**Q** Could you tell us about ESCON REIT, which was listed in February 2020?

ESCON REIT conducted its first public offering in February 2020 since listing. As a result, the asset size expanded to about 52 billion yen. We will conduct public offerings again when appropriate and

aim at mutual growth by supporting its growth as the sponsor company through reinforcement of the organization in considering the establishment of a private REIT or a private fund.

**Q** What are the values, as well as the standards and vision of ES-CON JAPAN?

The external environment has changed dramatically due to the spread of COVID-19. Moreover, the internal environment has also changed because we became a consolidated subsidiary of Chubu Electric Power. Under this environment, we will aim to become a representative developer in Japan comparable to the major general developers, or so-called "Major 7," toward the future of 10 years from now beyond the period of the new Medium-Term Management Plan up to 2023.

We would like to enhance our recognition in the market and contribute to society as a general developer that develops various types of real estate including retail facilities, logistics facilities, hotels, and offices with a focus on condominiums. However, what is most important is to provide high-quality products that truly satisfy customers rather than pursue scales and numbers. Within the next decade, we will aim to become a one-and-only company rather than a big company.

## Topics

### I. Overseas Business Development

ES-CON JAPAN launched overseas business development by investing in a Hawaii-focused real estate investment fund in 2019. In August 2019, ES-CON JAPAN joined a condominium development project undertaken by Origin Property PCL, a real estate developer in Thailand, in Samut Prakan Province adjacent to the capital city of Bangkok. This was the first time for ES-CON JAPAN to participate in a joint condominium development project overseas. In March 2020, ES-CON JAPAN participated in a joint for-sale condominium development project in Los Angeles County, California, and steadily promoted business development. Although ES-CON JAPAN will take a cautious approach until the end of the spread of COVID-19, it will focus on efforts based on a medium/long-term perspective. We embarked upon a development project in California with a partner. However, the pandemic has impacted our decisions in this segment and we have decided for the time being all overseas investments will involve existing overseas partners until we are at peace with global issues, etc.



Knightsbridge Sukhumvit-Thepharak Project



Exterior of Tower 520 N. Central Exterior of Tower 521 N. Orange

### II. ES-CON City Tsukuba Project (Tsukuba-shi, Ibaraki) (integrated commercial facility, office and residence development in front of Tsukuba Station)

Seibu Tsukuba, a commercial facility in front of the station, closed in February 2017 and Aeon Tsukuba Ekimae closed in January 2018, so the area around the station was in need of urban development and revitalization.

Therefore, ES-CON JAPAN acquired three facilities namely Tsukuba Q't, Tsukuba MOG and Tsukuba CREO between December 2018 and March 2019. In order to conduct an integrated development combining commercial facilities, offices and residences in front of Tsukuba Station, ES-CON JAPAN changed the conventional use of the building of the former Seibu Tsukuba within Tsukuba CREO to maximize the value of the location in front of the station by converting the first to third floors into a commercial facility and the fourth to sixth floors into offices under the name of tonarie CREO. On the former site of Aeon Tsukuba Ekimae, ES-CON JAPAN is developing Le JADE Tsukuba Station Front (218 units in total), which is a condominium. ES-CON JAPAN extended part of the existing pedestrian deck in front of the station and connected Tsukuba Station with the three facilities and the condominium to enhance convenience.

With the above initiatives, "tonarie Tsukuba Square," a community-based shopping center combined with three facilities, was established on May 19, 2021, and tonarie CREO was opened as the first property on the same day after undergoing conversion.

ES-CON JAPAN will contribute to the revitalization of the area around Tsukuba Station by continuing to proceed with the integrated development of the three facilities namely tonarie CREO, tonarie Q't and tonarie MOG as well as the condominium.



### III. Scheduled Formation of Private REIT

#### Plan to form and commence operation of ES-CON Private REIT (tentative name)

Even under the current uncertain circumstances amid the COVID-19 crisis, the rental apartment market remains strong, and ES-CON JAPAN believes that stable needs can continue to be expected. ES-CON JAPAN plans to form and commence operation of ES-CON Private REIT (tentative name) which will invest mainly in rental apartments. In the fundraising phase, ES-CON JAPAN intends to reduce financing risks by utilizing an SPC aiming to develop rental apartments, and will exclude the necessity of relying only on its balance sheet. ES-CON Asset Management will be in charge of arrangement and operation of the SPC.

### IV. Columbarium Sale and Management Business

In an aging, high-death-rate society where it is said that there will be 1.68 million deaths in the year 2040, there is a shortage of cemeteries as well as concerns that there will be a lack of "grave guardians" given the declining birth rate and the increasing number of smaller families. In view of the fact that it is particularly difficult to obtain graves in central Tokyo, ES-CON JAPAN has decided to launch this business in October 2020 at Ryomon, a columbarium in Minami-Azabu, Minato-Ku, Tokyo, in an effort to solve problems facing modern society and to secure revenue by expanding the scope of the real estate business.

Operations of the columbarium are overseen by Religious Corporation Zuikein, and Ryomon Co., Ltd., a consolidated subsidiary of ES-CON JAPAN, is entrusted with sales and management of the columbarium. As a "life developer" that not only develops buildings but also the lives of those who live in them, thinking of their happiness, the ES-CON JAPAN Group will take on the responsibility of managing and operating this long-standing columbarium.



Name	Ryomon
Location	5-1-4 Minami Azabu, Minato-ku Tokyo
Access	3-minute walk from Hiroo Station on the Hibiya Line
Site	861.36 m <sup>2</sup>
Structure/scale	Steel frame, partially reinforced concrete, 7 floors above ground, 1 below
Number of chambers	9,999
Facility overview	Private visit-type automatic transfer columbarium
Sales launched	March 2021

### ESG Initiatives

ES-CON JAPAN has conducted various social contribution activities from the aspects of environment, society and governance as ESG initiatives. It has set "Promoting ESG initiatives" as one of the management strategies in the abovementioned fourth medium-term management plan "IDEAL to REAL 2023," and aims to further promote such activities.

### ESG Promotion System

We assign the Director, Head of President's Office as the person in charge, and divide the ESG Promotion Group that is comprised of selected members from different departments into the "E (Environment) team," "S (Social) team" and "G (Governance) team." We then set annual targets for each team and promote ESG initiatives.

## Specific ESG Initiatives

### E: Environment



- Conducting environmentally and socially friendly real estate research and development including ZEH-M
- Initiatives for promoting the improvement of operational efficiency with IT and increasing the percentage of people of taking maternity leave, childcare leave and paid holidays
- Utilization of renewable energy
- Contribution to decarbonization in cooperation with Chubu Electric Power Group

### S: Social



- Contribution to regional revitalization and community creation through development of “tonarie” commercial facilities with roots in the local community
- Research of WT1 cancer vaccine, a cancer immunotherapy, and monetary donation to iPS Cell Research Fund
- Investment in Ryukyu Football Club Co. Ltd. which operates FC Ryukyu, a professional football team in the J2 league
- Promoting proactive recruitment and success of female employees, the elderly and people with disabilities
- Promoting action plans based on the Act on Advancement of Measures to Support Raising Next-Generation Children
- Initiatives for regional revitalization through urban development (acquisition of naming rights for the Hokkaido Nippon-Ham Fighters’ new stadium and participation in urban development activities for the overall area)

### G: Governance



- Conducting timely disclosure of business activities and management status
- Thorough holding of the Risk Management Committee on a regular basis and in emergencies and report to the Risk Management Committee in the event of an emergency or when there are concerns over the occurrence of emergency
- Establishment of Nomination and Remuneration Committee
- Thorough respect for human rights
- Succession plan (successor candidate system) initiatives

## Assessment of Recent Initiatives

- **Obtained “3 Star” and “Green Star” ratings in the 2020 GRESB real estate assessment “Development Benchmark”**

GRESB Development Benchmark ratings are five-tier assessments based on a relative rating based on an overall score for environmental and sustainability initiatives. We improved on our 2 Star rating in 2019, achieving a 3 Star rating for the first time. We received high ratings in both the Management Component and Development Component, achieving the Green Star distinction for the second consecutive year.



- **Fundraising through ESG/SDG assessment-based loan provided by Sumitomo Mitsui Banking Corporation**  
Judged as implementing good ESG and SDG initiatives and information disclosure, we earned an A\* overall ranking, the third-best of seven possible rankings in March 2020. As a result, we raised three billion yen of the project funds of the syndicated loan with Sumitomo Mitsui Banking Corporation as the arranger through the ESG/SDG assessment-based loan as part of funding efforts for the Fujishirodai 5-Chome Project (joint project with Chuden Real Estate) on a site acquired in March 2020. We achieved this rating once again in December 2020 and leveraged the result to procure 3.5 billion with syndicated loan for the Tsukuba CREO Project (commercial facility) currently being developed in Tsukuba City, Ibaraki Prefecture.

- **Received the Award for Excellence in the SME category of the Environmental Human Resource Development Corporate Awards 2020 (recognizing companies leading the way in developing environment-related human resources) in March 2021**

These awards were created in 2014 project by the Ministry of the Environment with an aim to encourage Japanese companies to engage in and train human resources for environmentally friendly business management and increase the number of companies contributing to comprehensive improvement of the environment, economy and society, considering the situation where efforts toward a sustainable society have become essential.

### Recognized initiatives (comments from panel)

The ‘dementia support district’ initiative to involve tenants (of tonarie Seiwadai) and employees in training dementia supporters is excellent.

Initiatives like ZEH help reduce the environmental burden.

## Main Recent Acquisitions of Certifications

- **Eco Action 21**

We obtained the certification of Eco Action 21, an environmental management system formulated by Japan’s Ministry of the Environment to proactively and effectively engage in environmental management including the reduction of CO<sub>2</sub> emissions. Based on a sustained commitment to environmental management, companies are expected to fulfill their social responsibility to reduce environmental impact, as well as enhance management benefits and increase corporate value by reducing administrative expenses and raising productivity.

- **DBJ Green Building**

We obtained DBJ Green Building certification from the Development Bank of Japan, a certification program created by DBJ in April 2011 to support real estate projects that account for both the environment and society for tonarie Yamato-Takada and tonarie Toga-Mikita, which are commercial facilities developed by ES-CON JAPAN and owned by ESCON REIT and Chuden Real Estate, and tonarie Minamisenri and tonarie Seiwadai, which are owned by ESCON REIT.

- **CASBEE real estate certification**

Soyoca Fujimino, a commercial facility owned by ES-CON JAPAN, obtained the S Rank, the highest rank recognized by the CASBEE Real Estate assessment and certification system which comprehensively assesses the quality of buildings including consideration to the environment and landscape from a CASBEE certification institute accredited by the Institute for Building Environment and Energy Conservation.

- **ZEH builder certification**

ES-CON HOME Co., Ltd. and ES-CON CRAFT Ltd. have completed registration for ZEH builder certification given to business entities capable of meeting specific requirements, such as setting as operating targets a ZEH ratio of 50% or better by FY2020 for the home orders they receive.

## Management: Directors, Auditors and Executive Officers



Tomohiko Egashira

Hiroto Mizobata

Keiko Otsuki

Kenji Fujita

Takatoshi Ito



Minoru Nakanishi

Atsushi Kawashima

Masayoshi Nishitake

Tadashi Fukuda

### Takatoshi Ito President & Representative Director

September	2001	Joined ES-CON JAPAN
February	2006	Appointed Executive Officer
March	2007	Appointed Managing Director
November	2010	Appointed Head of Business Division
March	2011	Appointed President and Representative Director (present post)
January	2012	Appointed Head of Tokyo Office
May	2013	Appointed President and Representative Director at ES-CON PROPERTY
August	2013	Appointed Head of Development Division
July	2014	Appointed Director at ES-CON ASSET MANAGEMENT (present post)
November	2014	Appointed President and Executive Officer at ES-CON JAPAN (present post)
September	2016	Appointed Director at ES-CON LIVING SERVICE (present post)
July	2018	Appointed Director at ES-CON PROPERTY (present post)
July	2019	Appointed Director at One's Own House Co., Ltd. (currently ES-CON HOME) (present post) Appointed Director at Rise Home Co., Ltd. (currently ES-CON CRAFT) (present post)
December	2019	Appointed Director at ES-CON GLOBAL WORKS (present post)
January	2020	Appointed member of Nomination and Remuneration Advisory Committee at ES-CON JAPAN (present post)
October	2020	Appointed Director at Ryomon Co., Ltd. (present post)

### Minoru Nakanishi Senior Managing Director

August	2011	Joined ES-CON JAPAN
June	2012	Appointed Executive Officer (Head of Finance and Accounting Department)
March	2013	Appointed Director
May	2013	Appointed Director at ES-CON PROPERTY (present post)
August	2013	Appointed Head of Management Division at ES-CON JAPAN (present post)
July	2014	Appointed Director at ES-CON ASSET MANAGEMENT (present post)
November	2014	Appointed Executive Officer at ES-CON JAPAN
March	2015	Appointed Managing Director at ES-CON JAPAN Appointed Managing Executive Officer
September	2016	Appointed Director at ES-CON LIVING SERVICE (present post)
March	2017	Appointed Senior Managing Director at ES-CON JAPAN (present post) Appointed Senior Executive Officer (present post)
December	2019	Appointed Director at ES-CON GLOBAL WORKS (present post)
October	2020	Appointed Director at Ryomon Co., Ltd. (present post)

### Kenji Fujita Director

March	2019	Appointed Director at ES-CON JAPAN (present post) Appointed Executive Officer (present post) Appointed Head of General Affairs Department
January	2020	Appointed Head of President's Office (present post)

### Atsushi Kawashima Director

March	2021	Appointed Director at ES-CON JAPAN (present post)
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### Keiko Otsuki Director

March	2021	Appointed Director at ES-CON JAPAN (present post)
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### Masayoshi Nishitake Full-Time Auditor [Director]

March	2020	Appointed Director (Full-Time Auditor Director) at ES-CON JAPAN (present post) Appointed member of Nomination and Remuneration Advisory Committee (present post)
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### Hiroto Mizobata Auditor [Director]

March	2015	Appointed Auditor at ES-CON JAPAN
March	2016	Appointed Director (Auditor Director) (present post)
January	2020	Appointed member of Nomination and Remuneration Advisory Committee (present post)

### Tadashi Fukuda Auditor [Director]

March	2020	Appointed Director (Auditor Director) at ES-CON JAPAN (present post) Appointed member of Nomination and Remuneration Advisory Committee (present post)
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### Tomohiko Egashira Managing Executive Officer

April	2002	Joined ES-CON JAPAN
January	2016	Appointed Head of Development Division (present post)
March	2017	Appointed Managing Executive Officer (present post) Appointed Managing Director
July	2018	Appointed Director at ES-CON PROPERTY (present post)

### Executive Officers

#### Yoshiro Kato

#### Tadashi Tanaka

#### Satoshi Omori

#### Katsushi Wakayama

#### Megumi Nakadozono

#### Akira Mizunoya

#### Tomohito Nakata

## Management Policy

1. ES-CON JAPAN is committed to realizing the unlimited potential of real estate through its information sourcing, planning and product development ability to create new value that sincerely satisfies customers.
2. ES-CON Japan is committed to achieving management that is a step more proactive than the competition by implementing work management that has a robust defense based on ROA, cash flow and thorough risk management.
3. ES-CON JAPAN is committed to becoming a limited-scale team of professions that can maintain the ability to respond quickly and maintain flexibility within a rapidly changing society.
4. ES-CON JAPAN will maintain and build robust relationships of cooperation by respecting and appreciating competitors at all times whether inside or outside the company.
5. ES-CON Japan is committed to building a “well-ventilated” bottom-up organization while also building an enhanced internal audit system consciously aware of compliance and governance.

## Direction and Corporate Governance

### Corporate Slogan

#### IDEAL to REAL

Ideals are the very best of what can be made real, and what we seek to be is a company that brings ideals into reality to create a new future. Whether the ideal city, ideal residence, or ideal living environment, we use real estate development to give form to our customers' wishes. From residence to retail, asset management to operational management, we propose and develop spaces where people naturally gather, want to go home to, and take pride in. From ideal to real – real estate.

### Corporate Philosophy

ES-CON JAPAN asks our employees to think daily about how they should live their lives, how they should participate in society, what kind of fruit they will bear society by contributing and, as a result, how the happiness desired by each and every one of us will be attained through these efforts.

Our employees assist and encourage each other to achieve the above goal. ES-CON JAPAN pursues a management that continues to provide fields as steps to self-realization of the unique characteristics pursued by each of our employees.

### Corporate Vision

#### “Life Developer”

ES-CON JAPAN seeks to be a life developer; that is, a company that develops not only the hardware of the condominium itself but also conceptualizes and develops the lives of residents. This is our goal at ES-CON JAPAN. We are creating “new wealth” that traditional real estate firms cannot achieve with solutions provided by our small cross-organizational teams that overcome the boundaries of divisions. ES-CON JAPAN teams connect people, communities and the future.

### Corporate Mission

#### Development of the “New Norm Neighborhood”

ES-CON JAPAN's teams create, connect and expand values built into local areas. We do not perceive the term “Local” as an antonym to “Urban” but rather as a location where residents are proud of the area where they live.

### System of Corporate Governance

ES-CON JAPAN boasts an Audit Committee and a structure whereby the implementation, management, supervision and auditing of work are overseen by the Board of Directors and the Audit Committee.

#### (1) Board of Directors

The board of directors consists of eight members: three executive directors, two non-executive directors, and three directors who are also members of the audit committee. (In order to improve management supervisory functions, the five directors who are non-executive directors or directors that are also members of the audit committee are all outside directors, of which four are independent outside directors. The president and representative director serves as the board chair.)

- In principle, the Board holds meetings at least once month where the management and auditing functions are heightened by vetting and discussing important items on the agenda.
- Speed and flexibility of operations are secured by entrusting the executive directors with related decisions in line with our Articles of Incorporation. The scope to which decision-making is entrusted to individual directors is strictly managed in line with the monetary and other criteria stipulated by the Board of Directors. Furthermore, the status of vital discussions and operations that have been entrusted to the director shall be reported to the Board of Directors without delay.

#### (2) Audit Committee

The audit committee consists of three members, all outside directors to enhance management supervision and its independence. Two are independent directors and one is the full-time auditor.

- In principle, the committee meets once a month, and members of management such as accounting auditors, internal auditors, and executive directors attend at the request of committee members to report on manners in a timely and appropriate manner.
- Members of the audit committee regularly exchange opinions with the president and, if necessary, interview members of management such as the executive directors to understand the status of business execution and issues in each segment.
- Members such as the full-time auditor attend important, regularly-held meetings such as management committee meetings, led by executive directors, and head office meetings, attended by executive directors and the members of management of each segment, to share the status of management and progress on business plans.
- The committee reviews important documents such as circulars for approval and collaborates with accounting auditors and the internal auditing department to audit the legality and validity of the directors' performance of duties. In addition, it strengthens governance by selecting one full-time audit committee member and making that person the chief audit committee member..

#### (3) Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee deliberates and determines the nomination and remuneration of directors as an advisory body of the board of directors.

The committee shall be composed of members, of which at least more than half shall be outside directors, and thus strengthen the independence and transparency concerning nominations and remuneration.

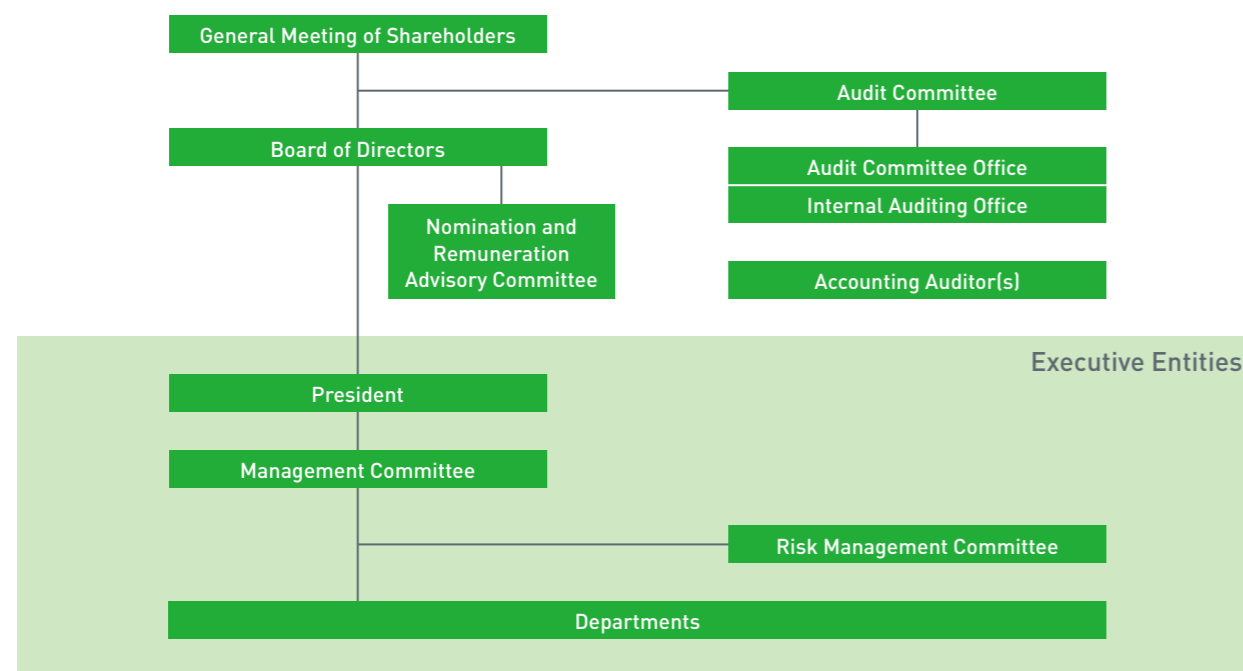
**Reasons for the Corporate Governance Structure**

ES-CON JAPAN believes the present system and organization of corporate governance is appropriate because it contributes to the sustainable improvement of corporate value.

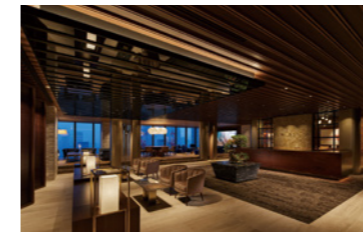
1. The supervision and effectiveness of the board of directors are strengthened by having directors who are members of the audit committee possess voting rights at board of directors' meetings.
2. Delegation of important business to executive directors ensures promptness, mobility, and flexibility in execution, preventing loss of business opportunities.
3. Directors who are members of the audit committee are involved in decision-making regarding nomination and remuneration of other directors based on their right to state their opinions on the process, enhancing its transparency.

Through the above, we believe that the current structure is optimal for contributing to sustainably increasing our corporate value.

**Diagram of Corporate Governance Structure**



**Company Overview: ES-CON JAPAN Ltd.**



**Tokyo Head Office**

20F The Okura Prestige Tower  
 2-10-4 Toranomon, Minato-ku, Tokyo, 105-0001 Japan  
 TEL: +81-3-6230-9303  
 FAX: +81-3-6230-9304



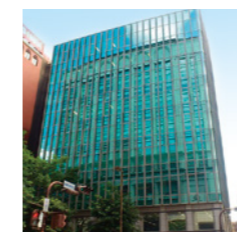
**Osaka Head Office**

13F Meiji Yasuda Life Insurance Osaka Midosuji Building  
 4-1-1 Fushimimachi, Chuo-ku, Osaka, 541-0044 Japan  
 TEL: +81-6-6223-8050  
 FAX: +81-6-6223-8051



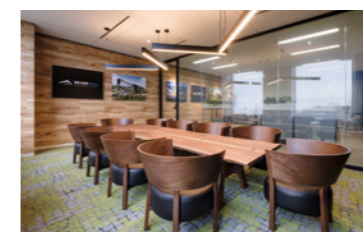
**Nagoya Office**

5F Hirokoji Sakae Building  
 2-4-1 Sakae, Naka-ku, Nagoya-shi, Aichi, 460-0008 Japan  
 TEL: +81-52-218-4820  
 FAX: +81-52-218-4821



**Kyushu Office**

9F Yasuda No. 7 Building  
 13-15 Kamikawabatomachi, Hakata-ku, Fukuoka, 812-0026 Japan  
 TEL: +81-92-283-1531  
 FAX: +81-92-283-1532



**Hokkaido Office**

13F Nissay Sapporo Building  
 4-1-1 Kita 3-jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido, 060-0003 Japan  
 TEL: +81-11-211-1928  
 FAX: +81-11-211-1936

Established: April 18, 1995

Capital: 6,284,000,000 yen (as of end of 2020)

Revenue: 77,308,000,000 yen (consolidated, fiscal year ended December 2020)

Number of Employees: 278 (consolidated; as of end of 2020)  
 192 (non-consolidated; as of end of 2020)

Businesses: Real estate sale  
 Real estate leasing  
 Real estate planning, brokerage and consultation



# Property Descriptions



## Grand Le JADE Todoroki (Good Design Award 2020 Winner) [Condominium]

- This condominium stands in a convenient location as it is a 12-minute walk from Oyamadai and Todoroki stations on the Tokyu Oimachi Line, which enables smooth access not only to areas in central Tokyo including Shibuya, Roppongi and Shinagawa, but also to popular areas such as Jiyugaoka and Futakotamagawa where there are many sophisticated shops and restaurants.
- The surrounding area is a quiet residential district designated as category I exclusive low-rise residential district where land use is severely limited, and has rich greenery spots such as Todoroki Valley, which is one of the only valleys in the 23 wards of Tokyo.
- The property offers a beautiful and classy living space by realizing a stately exterior design that catches people's attention, the entrance and lounge that have large glass windows so people can enjoy plenty of sunlight and greenery, and abundant plants arranged within the site to add colors to everyday life.
- The property won the Good Design Award 2020 as efforts in creating the building including the above were highly evaluated, with comments such as "there is a sense of unity from the overall concept to detailed ideas."

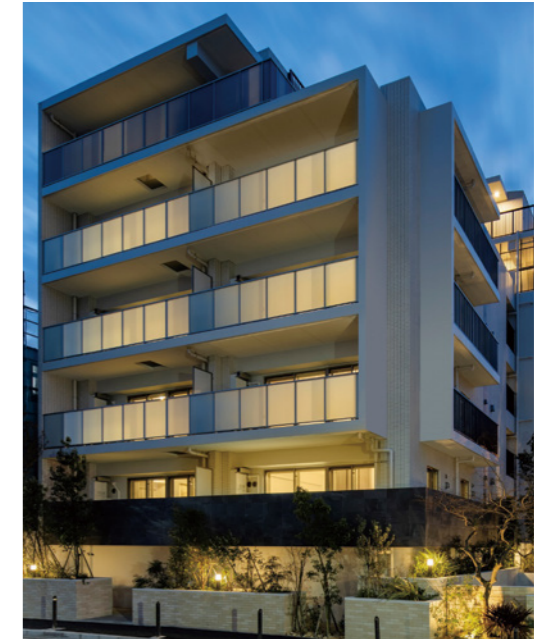
## Le JADE Tsujido Higashi-kaigan (Good Design Award 2020 Winner) [Condominium]

- This condominium stands in a favorable location offering direct access to Yokohama and central Tokyo using Tsujido Station on the JR Tokaido Main Line and JR Shonan-Shinjuku Line, while also providing easy access to popular tourist spots like Kamakura and Enoshima.
- Located in a quiet residential environment near Shonan's rich nature and a mere four-minute walk to the beach, the buildings are in a residential zone with strict regulations on building height and usage.
- It is a residential area that enables a lifestyle only available in Shonan near the sea through the installing of shower booths and a surf-board storage space in the common areas in addition to pursuing an exterior design that gives out a feeling of a resort matching the surrounding neighborhood by arranging various plants including Washington palms.
- The property won the Good Design Award 2020 as the above efforts resulted in a reputation as "a residence as if the regional lifestyle has metamorphosed into the buildings."



## Le JADE Morinomiya [Condominium]

- This condominium is located a four-minute walk from Morinomiya Station on JR Osaka Loop Line and a five-minute walk from Morinomiya Station on Osaka Metro Chuo Line and Nagahori Tsurumi-ryokuchi Line, it stands in a location with excellent traffic convenience enabled to directly access major stations in Osaka including Osaka and Shinsaibashi stations, as it is accessible from the two stations on three lines.
- In addition to the fulfilling living environment formed in the surrounding areas with "Osaka Castle Park," which is rich in nature, as well as convenient living facilities such as large-scale retail facilities nearby, it stands in a location where further development is expected including two major development projects near the Morinomiya Station and a plan to extend Osaka Metro Chuo Line to "Yumeshima," the planned site of the Osaka Expo.
- Through measures such as placing the residential building to make all residential units face south, applying wide-span design having wide frontage on the balcony side and placing plants at the space between the front road and its entrance based on greenery of Osaka Castle, it offers a residential space that stimulates the sensibility of people living on the property while creating harmony with its surroundings.
- The sales started in February 2020 and all units were contracted and sold out in October 2020 ahead of schedule, just eight months since the sales started.



## Le JADE Okurayama (adopted in Fiscal 2019 High-Rise ZEH-M Support Projects) [Condominium]

- This condominium stands in a favorable location convenient for commuting to work or school as it is an eight-minute ride to Yokohama Station via direct train and a 20-minute train ride to Shibuya Station from Okurayama Station, the nearest station, on the Tokyu Toyoko Line and, moreover, it is easy to make transfers to various railway lines, enabling various access to Tokyo or Kanagawa.
- In addition to having sufficient facilities that make living convenient such as a shopping street on the flat road from Okurayama Station to the property, the location is also appropriate for child-rearing as there are as many as 10 nursery schools and seven parks all within a range of ten-minutes on foot.
- The property achieved a balance between a comfortable interior environment and energy efficiency through the use of external walls and ceilings with improved thermal insulation performance as well as high-efficiency equipment. It is an environmentally-friendly condominium that meets the "ZEH-M Oriented" standards stipulated by the Ministry of Trade, Economy, and Industry, which is the level that should be targeted for multi-family housing with 6 or more floors.



## Le JADE Kotoen [Condominium]

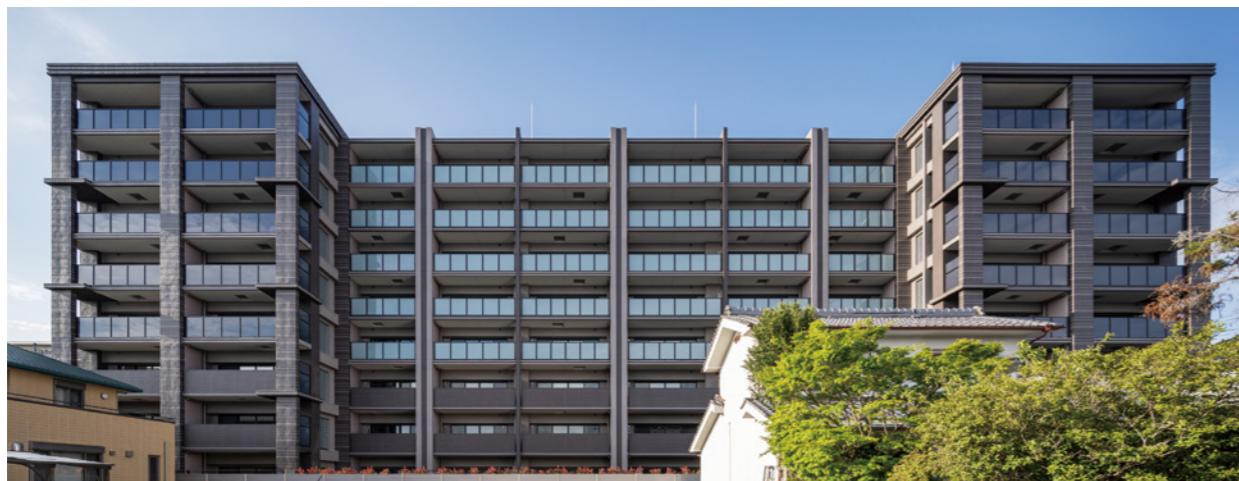
- This condominium stands in a favorable location enabling comfortable access as it stands on a site a five-minute walk from Kotoen Station on Hankyu Imazu Line. It is only a four-minute train ride to Nishinomiya-kitaguchi Station, which is two stations away and has many large retail facilities, and there are even direct trains running to central Osaka City in hours of commuting to offices and schools.
- It is located in Kotoen area which has the oldest history in the residential area "Nishinomiya Nanaen" that represents the Hanshinkan area and, the surrounding area is also attractive with an educational facility with a school building that is valuable even in terms of modern architecture, as well as a variety of convenient living facilities.
- It offers a high-quality residential space with attention given to details, such as a planting plan that envisions decades into the future, the location of a driveway space, and displaying art works in the museum corridor of the common space.



**Grand Le JADE Shukugawa Residence**

[Condominium]

- This condominium is accessible from three stations on three lines as the property is located a four-minute walk from Sakura-Shukugawa Station on JR Kobe Line, an eight-minute walk from Shukugawa Station on Hankyu Kobe Line and a nine-minute walk from Nishinomiya Station on Hankyu Main Line, the property stands in a favorable location accessible to major stations including Osaka, Sannomiya and Kobe stations without changing trains.
- In addition to Shukugawa Riverside Park, which has been selected as one of the top 100 cherry blossom spots and is famous as a cherry blossom viewing spot, and other beautiful streetscapes of Shukugawa are depicted in numerous literature of Junichiro Tanizaki, Yasushi Inoue, Haruki Murakami and others, it has living convenience facilities including supermarkets, department stores and other retail facilities, financial institutions and educational facilities. As such, the location achieves a combination of the historic residential districts, beautiful nature and convenience of a city.
- To make the best use of standing on a corner lot that faces roads on two sides, it only has a maximum of four units on each floor and realized placing all 13 residential units at the corner of the building. Furthermore, by adopting a hotel-like interior corridor design, it realized a private residence that satisfies its residents.



**Le JADE Takatsuki Miyanocho**

[Condominium]

- This condominium is situated in a favorable location enabling direct access to major stations in Osaka and Kyoto prefectures including Umeda, Shin-Osaka and Kyoto stations as it is accessible from two stations on two lines, namely Takatsuki-shi Station on the Hankyu Kyoto Line and Takatsuki Station on the JR Kyoto Line.
- In addition to there being a number of facilities to make living convenient, including restaurants, medical institutions, financial institutions as well as Aeon Takatsuki and other retail facilities, the location is suitable for raising children, as it is also near schools, being a three-minute walk to a district public elementary school and an eight-minute walk to a junior high school, and having several parks within a ten-minute walking distance.
- This condominium not only offers various plans, 31 basic types that are easy to reflect individual tastes and 54 variations of menu types, it also offers comfortable residential spaces through measures such as having an owners' lounge (meeting room) that residents can use as a venue for interaction.



**LOGITRES Tojo**

[Logistics facility]

- This logistics warehouse has a total floor area of 42,258 m<sup>2</sup> developed as the first project under the "LOGITRES" brand, an original logistics facility brand launched in January 2019.
- Situated in a location with excellent traffic convenience to Kansai and Chugoku areas, being located close to Hyogo Tojo interchange on the Chugoku Expressway.
- Conducted eco-friendly development by introducing a solar power generation system and utilizing renewable energy.

**Oh! Me Otsu Terrace**

[Retail property]

- This property was acquired in October 2019 to secure stable revenue as a revenue-generating property for the time being, and to conduct multipurpose redevelopment on the land in the future. The property is situated in a convenient location close to Zeze Station on the JR Biwako Line, which is in Otsu City, Shiga Prefecture.
- Neighborhood retail facility having approximately 50 stores including retail stores, restaurants and a movie theater.
- Seibu Otsu, a nearby department store, closed in August 2020 and 12 of its tenants moved to Oh! Me Otsu Terrace, which implemented its first renovation in September 2020. It pursues value enhancement to continuously contribute to the local community as a base of creating local excitement.



**tonarie Yokkaichi**

[Retail property]

- This property was acquired in January 2021 and opened after changing the name to tonarie Yokkaichi.
- It stands in a favorable location in the northern part of Mie Prefecture and a two-minute walk to Yokkaichi Station on the Kintetsu Line.
- It is a neighborhood retail facility that handles various products and services from daily shopping products to entertainment facilities and can be visited by local residents on a daily basis.
- The surrounding area of Yokkaichi Station on the JR and Kintetsu lines is designated as a target of the basic redevelopment concept for the surrounding area of Yokkaichi Station on the Kintetsu Line, and further enhancement of convenience can be expected.

# Financial Section

The Management Discussion and Analysis, Financial Statements and Notes to Financial Statements contained in this report are outside the scope of the auditing procedures under the Financial Instruments and Exchange Act of Japan, and have not been audited. However, the original financial data and descriptions in Japanese used as the base for the translation of this English version have been audited.

## Management Discussion and Analysis

### Overview

In the consolidated fiscal year under review (fiscal year ended December 2020, or Fiscal 2020), the Japanese economy continued to face a harsh situation due to the spread of the novel coronavirus (COVID-19) pandemic. As the government declared a state of emergency in January 2021, the second such declaration since April 2020, the situation remains unpredictable. The real estate industry in which the ES-CON JAPAN Group operates also found it extremely difficult to foresee what impact COVID-19 will give on the real estate market going forward.

Given such a difficult business environment, the Company decided to review the “IDEAL to REAL 2022,” its third medium-term management plan set for the three years of Fiscal 2020 through Fiscal 2022, and withdrew the plan in July 2020. Despite being in a situation with an unforeseeable future, we took it as an opportunity to develop our business and made strategic moves towards expansion of new business fields and sustainable growth. Some of its initiatives taken in the fiscal year are explained below.

#### (1) Growth Strategy of ESCON JAPAN REIT Investment Corporation

In February 2020, the Company transferred several for-sale real estate properties it owns to Chuden Real Estate Co., Inc. (“Chuden Real Estate”), on the assumption that they will be transferred to ESCON JAPAN REIT Investment Corporation (“ESCON REIT”), by utilizing the warehousing function based on the support agreement concluded among Chuden Real Estate, ESCON REIT and ES-CON Asset Management Ltd. (“EAM”), a consolidated subsidiary and the asset management company for ESCON REIT, in September 2019.

In February 2020, ESCON REIT conducted its first public offering after listing, steadily expanding its asset size from 41.6 billion yen upon listing to 51.9 billion yen. The ES-CON JAPAN Group fully supports enhancement of earnings and stable growth of ESCON REIT as its sponsor and aims for further growth.

#### (2) Synergy Effect with the Chubu Electric Power Group

The Company concluded a capital and business partnership agreement with Chubu Electric Power Co., Inc. in August 2018 to position the Chubu region as a core business area comparable to the Tokyo metropolitan area and the Kansai region, and has acquired land for six new projects in the Chubu region since establishing its Nagoya branch in March 2019. The Company has also initiated condominium and retail development projects in Aichi, Shizuoka and Osaka prefectures as joint projects with Chuden Real Estate. Going forward, the Company will develop businesses that can satisfy local residents by demonstrating synergy while continuing to strengthen its partnership with each group company of Chubu Electric Power.

#### (3) Participation in Hokkaido Ballpark Project and Acquisition of Naming Rights for New Ballpark

The Company concluded a naming rights agreement for the new ballpark of the Hokkaido Nippon Ham Fighters, to be opened in 2023 in Kitahiroshima City, Hokkaido, with Hokkaido Nippon Ham Fighters Baseball Club Co., Ltd. and Fighters Sports & Entertainment Co., Ltd., which manages the entire HOKKAIDO BALLPARK F VILLAGE and owns/operates the ballpark, in January 2020. The new ballpark will be called “ES CON FIELD HOKKAIDO.”

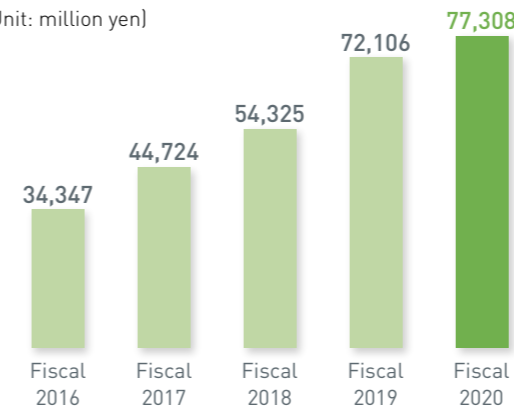
The area surrounding the ballpark is an important base as a planned site for a sports park and part of a large-scale development area for HOKKAIDO BALLPARK F VILLAGE with construction of a new station also planned. The Company plans to participate in the development of various real estate in the area such as a hotel adjoining the ball park as well as urban development.

## Operating Results

As a result of these and other endeavors, business performance for Fiscal 2020 was net sales of 77,308 million yen (up 7.2%), operating income of 12,202 million yen (down 5.5%), ordinary income of 11,164 million yen (down 5.5%) and profit attributable to owners of parent of 7,663 million yen (down 6.0%), all on a year-on-year basis.

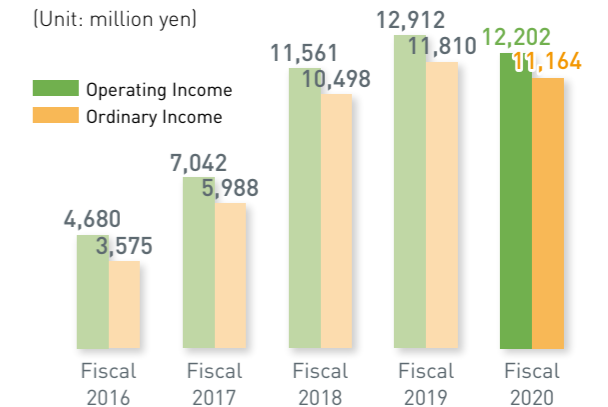
### Sales

(Unit: million yen)



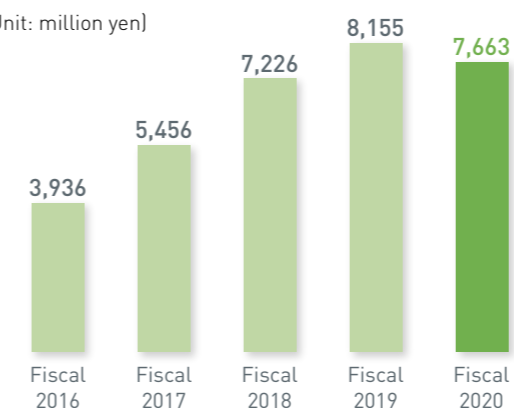
### Operating Income/Ordinary Income

(Unit: million yen)



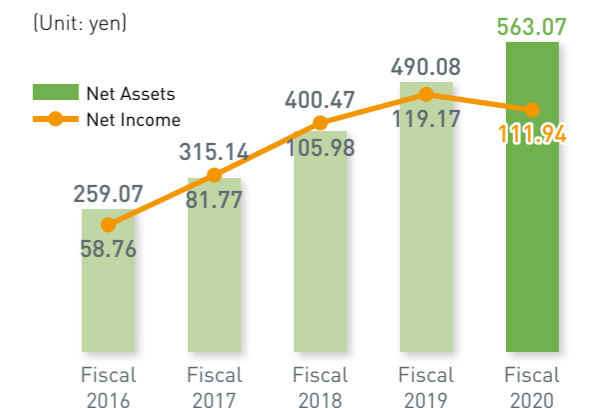
### Net Income Attributable to Parent

(Unit: million yen)



### Per Share Information

(Unit: yen)



## Results by Segment

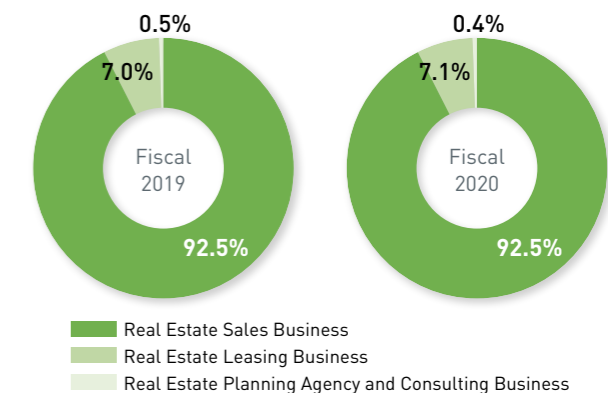
### Real estate sales business

In the real estate sales business, activities including sales of condominiums and income-generating real estate resulted in net sales of 71,485 million yen (up 7.2% year-on-year) and segment income of 14,257 million yen (up 3.3% year-on-year).

### Real estate leasing business

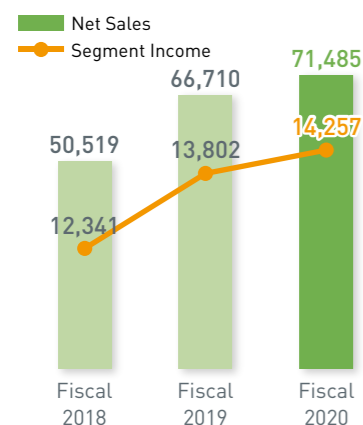
In the real estate leasing business, focus was placed on leasing activities and the property management business in view of enhancement of asset value, including higher rental income of owned income-generating real estate, resulting in net sales of 5,527 million yen (up 10.0% year-on-year) and segment income of 2,381 million yen (down 20.7% year-on-year).

### Sales Distribution Ratio by Segment



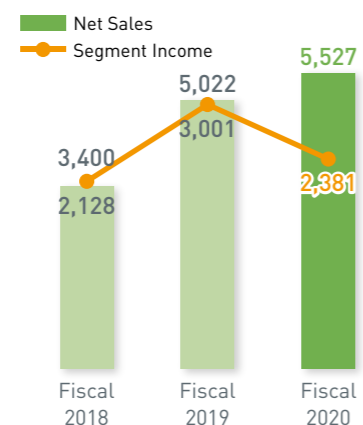
### Real Estate Sales Business

(Unit: million yen)



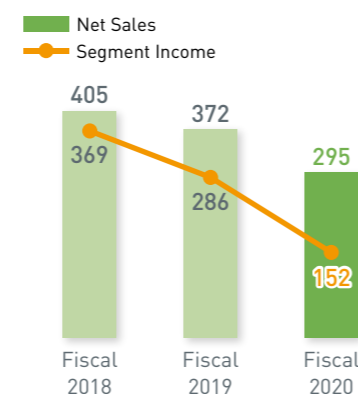
### Real Estate Leasing Business

(Unit: million yen)



### Real Estate Planning Agency and Consulting Business

(Unit: million yen)



### Real estate planning agency and consulting business

In the real estate planning agency and consulting business, proactive efforts were made in receiving orders for planning, consultation and other consigned services by making the best use of planning and multifaceted business building abilities. Net sales stood at 295 million yen (down 20.7% year-on-year) and segment income was 152 million yen (down 46.9% year-on-year).

## Analysis of Financial Position

### Assets, Liabilities and Net Assets

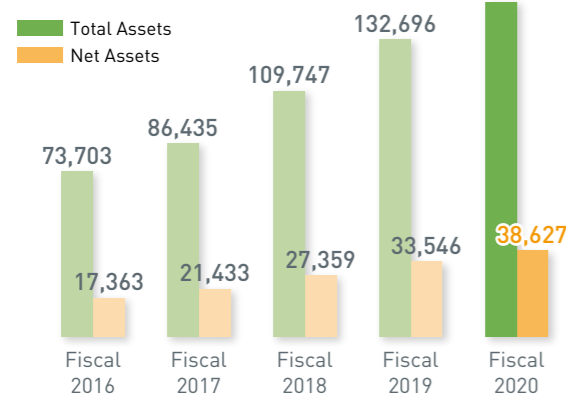
Assets at the end of the Fiscal 2020 increased by 16,726 million yen compared with the end of Fiscal 2019 to 149,423 million yen. This was mainly attributable to cash and deposits, inventories and non-current assets increasing by 1,359 million yen, 4,724 million yen and 8,747 million yen, respectively.

Liabilities increased by 11,645 million yen in comparison with the end of Fiscal 2019 to 110,795 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds increasing by 13,520 million yen in total.

Net assets increased by 5,080 million yen compared with the end of Fiscal 2019 to 38,627 million yen. This was due to recording of 7,663 million yen as profit attributable to owners of parent against payment of 2,490 million yen as dividends. As a result, the equity ratio came to 25.8% (25.3% at the end of Fiscal 2019).

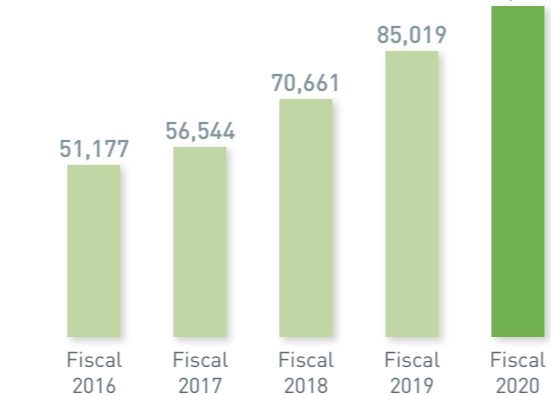
### Total Assets/Net Assets

(Unit: million yen)



### Interest-bearing Liabilities

(Unit: million yen)



## Overview of Consolidated Balance Sheet

(Unit: million yen)

### Assets

Fiscal 2019 Total assets: **132,696**

Fiscal 2019		Total assets: 132,696
Non-current assets: 18,558	Current assets: 114,137	
Property, plant and equipment: 13,433	Cash and deposits: 22,511	
Intangible assets: 492	Real estate for sale: 24,234	
Investments and other assets: 4,632	Real estate for sale in process: 59,619	

Fiscal 2020 Total assets: **149,423**

Fiscal 2020		Total assets: 149,423
Non-current assets: 27,306	Current assets: 122,117	
Property, plant and equipment: 14,876	Cash and deposits: 23,870	
Intangible assets: 403	Real estate for sale: 6,262	
Investments and other assets: 12,026	Real estate for sale in process: 82,316	

### Liabilities and Net Assets

Fiscal 2019 Liabilities and net assets: **132,696**

Fiscal 2019			Liabilities and net assets: 132,696
Net assets: 33,546	Non-current liabilities: 48,950	Current liabilities: 50,199	
Shareholders' equity: 33,288	Long-term loans payable: 47,720	Short-term loans payable: 4,580	
		Current portion of long-term loans payable: 32,415	
		Current portion of bonds: 40	

Fiscal 2020 Liabilities and net assets: **149,423**

Fiscal 2020			Liabilities and net assets: 149,423
Net assets: 38,627	Non-current liabilities: 70,982	Current liabilities: 39,813	
Shareholders' equity: 38,454	Long-term loans payable: 69,274	Short-term loans payable: 2,907	
		Current portion of long-term loans payable: 26,093	
		Current portion of bonds: 230	

## Status of Cash Flows

Cash and cash equivalents ("net cash") in Fiscal 2020 increased by 1,385 million yen compared with the end of Fiscal 2019 to 23,798 million yen (22,413 million yen at the end of Fiscal 2019). The following outlines the cash flows and the factors of changes in cash flows in Fiscal 2020.

### Cash flows from operating activities

Cash flows from operating activities in Fiscal 2020 amounted to net cash provided by operating activities of 119 million yen (net cash provided by operating activities of 122 million yen in Fiscal 2019). This was mainly due to the increase in inventories of 4,370 million yen, interest expenses paid of 1,195 million and income taxes paid of 5,072 million yen, against the recording of profit before income taxes of 11,164 million yen.

### Cash flows from investing activities

Cash flows from investing activities in Fiscal 2020 amounted to net cash used in investing activities of 9,732 million yen (net cash used in investing activities of 4,770 million yen in Fiscal 2019). This was mainly attributable to purchase of investment securities of 1,913 million yen and purchase of non-current assets of 6,555 million yen.

### Cash flows from financing activities

Cash flows from financing activities in Fiscal 2020 amounted to net cash provided by financing activities of 11,007 million yen (net cash provided by financing activities of 10,501 million yen in Fiscal 2019). This was mainly attributable to proceeds from and repayments of long-term loans payable and short-term loans payable amounting to net proceeds of 13,576 million yen and payment of cash dividends of 2,488 million yen.

## Consolidated Balance Sheet

(Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	22,511	23,870
Notes and accounts receivable - trade	598	927
Real estate for sale	24,234	6,262
Deferred tax assets	59,619	82,316
Other	7,173	8,739
Allowance for doubtful accounts	—	(0)
Total current assets	114,137	122,117
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	3,216	4,359
Accumulated depreciation	(566)	(889)
Buildings and structures, net	2,649	3,470
Vehicles	7	6
Accumulated depreciation	(6)	(6)
Vehicles, net	1	0
Land	10,621	11,262
Leased assets	4	4
Accumulated depreciation	(3)	(4)
Leased assets, net	1	0
Construction in progress	0	1
Other	281	321
Accumulated depreciation	(122)	(180)
Other, net	159	141
Total property, plant and equipment	13,433	14,876
Intangible assets		
Goodwill	436	339
Other	56	63
Total intangible assets	492	403
Investments and other assets		
Investment securities	2,711	3,556
Long-term loans receivable	347	2,468
Deferred tax assets	662	406
Other	949	5,633
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	4,632	12,026
Total non-current assets	18,558	27,306
<b>Total assets</b>	<b>132,696</b>	<b>149,423</b>

(Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2019 (as of December 31, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Short-term loans payable	4,580	2,907
Current portion of long-term loans payable	32,415	26,093
Current portion of bonds	40	230
Lease obligations	1	0
Accounts payable - other	2,097	1,590
Income taxes payable	3,396	1,460
Advances received	2,809	2,233
Deposits received	4,733	4,583
Other	126	713
Total current liabilities	50,199	39,813
<b>Non-current liabilities</b>		
Bonds payable	230	—
Long-term loans payable	47,720	69,274
Lease obligations	0	—
Deferred tax liabilities	2	2
Provision for directors' share-based benefits	114	135
Provision for share-based benefits	35	46
Asset retirement obligations	249	260
Other	597	1,262
Total non-current liabilities	48,950	70,982
Total liabilities	99,149	110,795
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	6,275	6,284
Capital surplus	2,004	2,088
Retained earnings	26,256	31,429
Treasury shares	(1,247)	(1,348)
Total shareholders' equity	33,288	38,454
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	256	153
Foreign currency translation adjustment	(0)	(18)
Total accumulated other comprehensive income	256	134
<b>Subscription rights to shares</b>	1	1
<b>Non-controlling interests</b>	0	37
<b>Total net assets</b>	<b>33,546</b>	<b>38,627</b>
<b>Total liabilities and net assets</b>	<b>132,696</b>	<b>149,423</b>

## Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

### Consolidated Statement of Income

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
<b>Net sales</b>	72,106	<b>77,308</b>
<b>Cost of sales</b>	52,339	<b>57,628</b>
<b>Gross profit</b>	19,767	<b>19,679</b>
<b>Selling, general and administrative expenses</b>		
Advertising expenses	2,218	<b>2,524</b>
Sales commission	726	<b>502</b>
Directors' compensations	210	<b>308</b>
Salaries and allowances	1,375	<b>1,723</b>
Provision for directors' share-based benefits	16	<b>21</b>
Provision for share-based benefits	5	<b>10</b>
Commission fee	388	<b>333</b>
Taxes and dues	639	<b>559</b>
Other	1,273	<b>1,492</b>
Total selling, general and administrative expenses	6,854	<b>7,477</b>
<b>Operating income</b>	12,912	<b>12,202</b>
<b>Non-operating income</b>		
Interest income	5	<b>16</b>
Dividend income	35	<b>93</b>
Cancellation income	30	<b>19</b>
Reversal of allowance for doubtful accounts	8	<b>—</b>
Other	4	<b>26</b>
Total non-operating income	84	<b>155</b>
<b>Non-operating expenses</b>		
Interest expenses	1,143	<b>1,047</b>
Share of loss of entities accounted for using equity method	33	<b>109</b>
Other	9	<b>37</b>
Total non-operating expenses	1,186	<b>1,194</b>
<b>Ordinary income</b>	11,810	<b>11,164</b>
<b>Extraordinary income</b>		
Gain on sales of non-current assets	—	<b>0</b>
Gain on reversal of subscription rights to shares	0	<b>0</b>
Total extraordinary income	0	<b>0</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	7	<b>0</b>
Total extraordinary losses	7	<b>0</b>
<b>Profit before income taxes</b>	11,803	<b>11,164</b>
<b>Income taxes - current</b>	4,057	<b>3,212</b>
<b>Income taxes - deferred</b>	[409]	<b>297</b>
<b>Total income taxes</b>	3,648	<b>3,509</b>
<b>Profit</b>	8,155	<b>7,654</b>
<b>Profit (loss) attributable to non-controlling interests</b>	—	<b>(8)</b>
<b>Profit attributable to owners of parent</b>	8,155	<b>7,663</b>

### Consolidated Statement of Comprehensive Income

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
<b>Profit</b>	8,155	<b>7,654</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	250	<b>(103)</b>
Foreign currency translation adjustment	(0)	<b>0</b>
Share of other comprehensive income of entities accounted for using equity method	(0)	<b>(18)</b>
Total other comprehensive income	250	<b>(121)</b>
<b>Comprehensive income</b>	8,405	<b>7,533</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	8,405	<b>7,541</b>
Comprehensive income attributable to non-controlling interests	—	<b>(8)</b>

## Consolidated Statement of Changes in Equity

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

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Subscription rights to share	Non-controlling interests	Total net assets
Balance at beginning of current period	6,259	1,988	20,310	(1,207)	27,352	6	—	6	1	—	27,359
Changes of items during period											
Issuance of new shares	15	15			30						30
Dividends of surplus			(2,209)		(2,209)						(2,209)
Profit attributable to owners of parent			8,155		8,155						8,155
Purchase of treasury shares				(40)	(40)						(40)
Disposal of treasury shares				0	0						0
Net changes of items other than shareholders' equity						250	(0)	250	(0)	0	250
Total changes of items during period	15	15	5,945	(40)	5,936	250	(0)	250	(0)	0	6,187
Balance at end of current period	6,275	2,004	26,256	(1,247)	33,288	256	(0)	256	1	0	33,546

Fiscal year ended December 2020 (from January 1, 2020 to December 31, 2020)

(Unit: million yen)

	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Subscription rights to share	Non-controlling interests	Total net assets
Balance at beginning of current period	6,275	2,004	26,256	(1,247)	33,288	256	(0)	256	1	0	33,546
Changes of items during period											
Issuance of new shares	9	9			18						18
Dividends of surplus			(2,490)		(2,490)						(2,490)
Profit attributable to owners of parent			7,663		7,663						7,663
Disposal of treasury shares		74		132	207						207
Purchase of treasury shares by the share-based payment benefits trust for directors				(233)	(233)						(233)
Net changes of items other than shareholders' equity						(103)	(17)	(121)	(0)	36	(84)
Total changes of items during period	9	84	5,173	(101)	5,165	(103)	(17)	(121)	(0)	36	5,080
Balance at end of current period	6,284	2,088	31,429	(1,348)	38,454	153	(18)	134	1	37	38,627

## Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
<b>Cash flows from operating activities</b>		
Profit before income taxes	11,803	11,164
Depreciation	176	399
Amortization of goodwill	48	100
Amortization of long-term prepaid expenses	—	4
Increase (decrease) in allowance for doubtful accounts	—	0
Increase (decrease) in provision for directors' share-based benefits	16	21
Increase (decrease) in provision for share-based benefits	5	10
Interest and dividend income	(40)	(109)
Interest expenses	1,143	1,047
Foreign exchange losses (gains)	(8)	31
Share of loss (profit) of entities accounted for using equity method	33	109
Loss (gain) on sales of non-current assets	—	(0)
Loss on retirement of non-current assets	7	0
Decrease (increase) in notes and accounts receivable - trade	(84)	(329)
Decrease (increase) in inventories	(10,179)	(4,370)
Decrease (increase) in prepaid expenses	55	(381)
Increase (decrease) in accounts payable - other	135	(358)
Decrease/increase in consumption taxes receivable/payable	(239)	192
Increase (decrease) in advances received	(246)	(576)
Increase (decrease) in deposits received	95	187
Decrease (increase) in other assets	638	(805)
Increase (decrease) in other liabilities	75	(45)
Subtotal	3,436	6,291
Interest and dividend income received	40	95
Interest expenses paid	(1,109)	(1,195)
Income taxes (paid) refund	(2,245)	(5,072)
Net cash provided by (used in) operating activities	122	119
<b>Cash flows from investing activities</b>		
Payments into time deposits	(18)	(18)
Proceeds from withdrawal of time deposits	18	19
Purchase of investment securities	(1,641)	(1,913)
Proceeds from sales of investment securities	—	9
Proceeds from withdrawal of investment securities	516	717
Purchase of non-current assets	(3,295)	(6,555)
Proceeds from sales of non-current assets	61	86
Payments for asset retirement obligations	(3)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	91
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(310)	—
Payments of loans receivable	(300)	(2,930)
Collection of loans receivable	0	500
Proceeds from guarantee deposits received	1,130	1,244
Repayments of guarantee deposits received	(927)	(983)
Payments for investments in capital	—	(2)
Net cash provided by (used in) investing activities	(4,770)	(9,732)
<b>Cash flows from financing activities</b>		
Increase in short-term loans payable	6,714	8,018
Decrease in short-term loans payable	(5,220)	(9,690)
Proceeds from long-term loans payable	44,231	62,166
Repayments of long-term loans payable	(32,930)	(46,917)
Redemption of bonds	(40)	(40)
Repayments of lease obligations	(0)	(1)
Repayments of installment payables	(34)	(31)
Proceeds from issuance of common shares	30	18
Proceeds from share issuance to non-controlling shareholders	0	—
Purchase of treasury shares	(40)	(233)
Proceeds from disposal of treasury shares	—	207
Cash dividends paid	(2,207)	(2,488)
Net cash provided by (used in) financing activities	10,501	11,007
Translation differences on cash and cash equivalents	(3)	(8)
Net increase (decrease) in cash and cash equivalents	5,849	1,385
Cash and cash equivalents at beginning of period	16,563	22,413
Cash and cash equivalents at end of period	22,413	23,798

## Notes to Financial Statements

### 1. Organization

ES-CON JAPAN Ltd. (“ES-CON JAPAN” or “the Company”) is a Japanese real estate company established in 1995. It conducts planning, development and sales of for-sale condominiums, retail properties and other properties; leasing of owned properties; property management services; for-sale condominium management services; consignment, planning, brokerage and consulting services for real estate-related matters; and real estate investment advisory services. ES-CON JAPAN was listed on the second tier of the Tokyo Stock Exchange in 2015, and successfully rose to the first tier in June 2016.

### 2. Basis of Presentation

The accompanying consolidated financial statements of ES-CON JAPAN and its consolidated subsidiaries (the “Group”) are a translation of the financial statements that have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The Company’s accounting period is a twelve-month period, which ends at the end of December each year. Unless otherwise specified, amounts have been rounded down to the nearest million yen in the accompanying financial statements and the notes thereto. As a result, the total shown in the financial statements and notes thereto do not necessarily agree with the sum of the individual account balances.

### 3. Summary of Significant Accounting Policies

(1) Consolidation	The Company has eight consolidated subsidiaries as of December 31, 2020, as follows: ES-CON Property Ltd. ES-CON Asset Management Ltd. ES-CON Living Service Ltd. ES-CON Home Ltd. ES-CON Craft Ltd. ES-CON Global Works Ltd. Ryomon Co., Ltd. ESCON JAPAN (Thailand) CO., LTD.
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Ryomon Co., Ltd., which the Company made its subsidiary by acquiring its shares in the fiscal year ended December 2020, was included in the scope of consolidation.

Of these consolidated subsidiaries, the accounting period of ESCON JAPAN (Thailand) CO., LTD. ends on November 30. In preparing the accompanying financial statements, its financial statements as of the date are used, while making necessary adjustments for material transactions that took place between December 1 and December 31, the day for settlement of consolidated accounts.

Furthermore, ESCON USA LLC and ESCON USA II LLC are not included in the scope of consolidation as they are small companies and their total assets, net sales, net loss (equivalent to the Company’s equity interest) and retained earnings (equivalent to the Company’s equity interest), etc. do not pose any material impact on the consolidated financial statements.

(2) Equity-method affiliates	<p>The Company has one equity-method affiliate, as follows: ORIGIN KNIGHTSBRIDGE THEPHARAK CO., LTD. GCB Mezzanine GK</p> <p>GCB Mezzanine GK, which had been an equity-method affiliate in the fiscal year ended December 2019, was excluded from the scope of equity-method accounting as the Company transferred its equity interest in the silent partnership investment agreement with GCB Mezzanine GK as the business operator.</p> <p>Furthermore, ESCON USA LLC and Nishiguchi Building Management Co., Ltd. are not included in the scope of equity-method accounting as their net sales, net loss (equivalent to the Company's equity interest) and retained earnings (equivalent to the Company's equity interest), etc. do not pose any material impact on the consolidated financial statements and they are of little importance as a whole.</p>
(3) Valuation standard and method for significant assets	<p>1) Securities Other securities Securities with fair value are stated using the market price method based on the market price, etc. at the end of the fiscal year (valuation difference is directly charged to shareholders' equity, and selling costs are calculated by using the moving-average method). Securities without fair value are stated by the cost method using the moving-average method.</p> <p>However, equity interests in silent partnership, etc. are stated at their net asset value. As for income and losses from silent partnership, etc., the net amount of income or losses equivalent to the equity interests are recorded as net sales or cost of sales, respectively, with the relevant investment securities set as corresponding accounts.</p> <p>2) Inventories Real estate for sale is stated using the cost method (the value on the balance sheet is calculated using the method of reducing book value due to a decline in profitability). Real estate for sale in process is stated using the cost method at net asset value (the value on the balance sheet is calculated by using the method of reducing book value due to a decline in profitability).</p>
(4) Depreciation method for significant depreciable assets	<p>1) Property, plant and equipment (excluding leased assets) The declining-balance method is applied. However, the straight-line method is applied to buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016.</p> <p>2) Intangible assets (excluding leased assets) Software for internal use is amortized using the straight-line method over the useful lives (5 years) estimated by the Company. Trademarks are amortized using the straight-line method over 10 years.</p> <p>3) Leased assets For finance leases without any transfer of ownership of leased assets, the straight-line method is adopted with a residual value of zero, deeming the lease period to be equal to the useful lives of the assets.</p>

(5) Standards for recording significant allowances	<p>1) Allowance for doubtful accounts To prepare for expected losses from bad debts, such as notes and accounts receivable – trade and loans receivable, the Company records estimated uncollectible amounts based on the historical loan loss ratio for general accounts receivable, and by considering individual collectibility for certain specific receivables such as doubtful accounts receivables.</p> <p>2) Provision for directors' share-based benefits To prepare for granting the Company's shares to its directors based on its share-based benefit rules for directors, the Company records estimated amount of share-based benefit obligations as of the end of the consolidated fiscal year as a provision.</p> <p>3) Provision for share-based benefits To prepare for granting the Company's shares to its employees based on its share-based benefit rules, the Company records estimated amount of share-based benefit obligations as of the end of the consolidated fiscal year as a provision.</p>
(6) Standards for conversion of significant assets or liabilities denominated in foreign currencies into Japanese yen	<p>Monetary claims and monetary liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the date of closing of accounts, with translation differences included in the statements of income. As for the consolidated overseas subsidiaries, etc., assets and liabilities are translated into Japanese yen at the spot exchange rate on the date of their closing of accounts, while revenues and expenses are translated into Japanese yen at the average period-average exchange rate. The translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets on the balance sheet.</p>
(7) Method and period of amortization of goodwill	<p>Goodwill is amortized regularly for over a reasonable period of up to 20 years, with the useful life estimated individually.</p>
(8) Scope of funds in the consolidated statement of cash flows	<p>The funds (cash and cash equivalents) in the consolidated statement of cash flows consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments with a maturity of 3 months or less from the date of acquisition, which are readily convertible to cash and bear only an insignificant risk of changes in value.</p>
(9) Other significant items fundamental to preparing the financial statements	<p>Accounting for consumption taxes Consumption taxes are excluded from the transaction amounts. Non-deductible consumption taxes are recorded as expenses for the relevant consolidated fiscal year.</p>

### {Changes in Accounting Policies}

Not applicable



## [Unapplied Accounting Standard and Implementation Guidance]

### 1. Accounting Standard for Revenue Recognition, etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 (revised 2020); March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 (revised 2020); March 31, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 (revised 2020); March 31, 2020)

#### (1) Overview

The International Accounting Standard Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed the comprehensive accounting standard for revenue recognition, and have published “Revenue from Contracts with Customers” (IFRS No. 15 issued by IASB and Topic 606 issued by FASB) in May 2014. As IFRS No. 15 is effective for annual periods beginning on or after January 1, 2018 and Topic 606 is effective for annual periods beginning after December 15, 2017, ASBJ has developed the comprehensive accounting standard for revenue recognition, and announced it along with the implementation guidance.

As a basic policy to develop the accounting standards for revenue recognition, ASBJ decided to incorporate the basic principles from IFRS No. 15 in order to ensure the comparability among Financial Statements based on IFRS, U.S. GAAP and Japanese GAAP. The comparability between the financial statements is one of the benefits of the consistency with IFRS No. 15. In addition, in the case there is an item where consideration should be given to special treatment in Japan, the alternative treatment is accepted to the extent consistency is maintained.

#### (2) Scheduled date of the application

The Company will adopt the Accounting Standard for Revenue Recognition, etc. from the beginning of the fiscal year ending December 31, 2022.

#### (3) Impact of the application of the respective Accounting Standard and Implementation Guidance

The impact on the consolidated financial statements from adoption of the Accounting Standard for Revenue Recognition, etc. is currently being assessed.

### 2. Accounting Standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30; July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31; July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9; July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10; July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19; March 31, 2020)

#### (1) Overview

IASB and FASB have established detailed guidance for fair value measurement (IFRS 13 “Fair Value Measurement” under the International Financial Reporting Standards and Topic 820 “Fair Value Measurement” of the Accounting Standards Codification under the U.S. accounting standards) containing almost the same content. In light of this, the ASBJ worked to secure consistency of the Japanese accounting standards with the international accounting standards, mainly in terms of the guidance on and disclosure of the fair value of financial instruments, and announced the Accounting Standard for Fair Value Measurement, etc.

The basic policy of ASBJ for the development of the Accounting Standard for Fair Value Measurement was to adopt all

provisions of the IFRS 13 as a rule by using a unified calculation method, from the viewpoint of improving the comparability between the financial statements of the Japanese and foreign companies. Moreover, in consideration of the practices conducted in Japan to date, ASBJ determined to establish other treatments for individual items, to the extent that they do not greatly harm the comparability between the financial statements.

#### (2) Scheduled date of adoption

The Company will adopt the Accounting Standard for Fair Value Measurement, etc. from the beginning of the fiscal year ending December 31, 2022.

#### (3) Impact of the application of the accounting standard, etc.

The impact on the consolidated financial statements from adoption of the Accounting Standard Fair Value Measurement, etc. is currently being assessed.

### 3. Accounting Standard for Disclosure of Accounting Estimates

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31; March 31, 2020)

#### (1) Overview

Given the recommendation to investigate enhancement of note information regarding the “accounting principles and procedures adopted in cases when provisions of relevant accounting standards are not clear,” ASBJ has made necessary amendments and published the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

Furthermore, ASBJ has determined that, when enhancing the note information regarding the “accounting principles and procedures adopted in cases when provisions of relevant accounting standards are not clear,” the provisions in the Notes on Corporate Accounting Principles (Note 1-2) shall be followed as before in order to avoid any impact on the practices taken to date when the provisions of relevant accounting standards are clear.

#### (2) Scheduled date of adoption

The Company will adopt the Accounting Standard from the end of the fiscal period ending December 31, 2021.

## [Changes in Presentation]

### Consolidated Balance Sheet

With regard to Long-term loans receivable, which was included in Other under Investments and other assets for the previous fiscal year ended December 31, 2019, the Company has presented it separately for the fiscal year ended December 31, 2020 as the amount exceeded one hundredth of total assets. To reflect this change in the presentation method, the financial statements for the previous fiscal year have been reclassified.

As a result, the 1,296 million yen included in Other under Investments and other assets for the previous fiscal year was reclassified into 347 million yen as Long-term loans receivable and 949 million yen as Other.

## [Additional Information]

### Accounting Estimates in Accordance with the Spread of COVID-19

As the impact of the spread of the COVID-19 pandemic on the Group’s business is limited, the Company made accounting estimates on the assumption that the impact on the Group’s business is marginal. More recently, however, there is much uncertainty as to how COVID-19 will further spread or be contained. Accordingly, the Company has made accounting estimates on the inventory valuation, impairment loss of non-current assets and valuation of investment

securities, etc. on the assumption that the impact of COVID-19 on the Group's business, although limited, will continue for a certain period of time.

Nevertheless, there are many uncertain elements as to the impact of the spread of COVID-19. If the real estate market conditions further worsen going forward, it may pose a material impact on the financial conditions, business performance and cash flows of the Group due to recording of valuation loss on inventories and impairment loss of the real estate properties it owns.

## 4. Notes to Consolidated Balance Sheet

### (1) Unconsolidated subsidiaries and affiliates

(Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
Investment securities (equity capital)	31	491
Investment securities (shares)	407	484

### (2) Pledged assets and secured debts

Assets provided as collateral are as follows:

(Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
Cash and deposits	20	20
Real estate for sale	23,025	4,745
Real estate for sale in process	56,177	78,546
Buildings and structures	2,033	2,856
Land	10,621	11,261
Property, plant and equipment (Other)	—	16
Total	91,877	97,446

Debts secured by the above assets provided as collateral are as follows:

(Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
Short-term loans payable	4,042	2,269
Current portion of long-term loans payable	31,642	24,241
Long-term loans payable	46,340	61,135
Total	82,025	87,646

## 5. Notes to Consolidated Statement of Income

### (1) Book value reduction due to lowered profitability of inventories held for the purpose of ordinary sales is as follows:

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Cost of sales	921	—

### (2) Breakdown of gain on sale of non-current assets is as follows::

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Vehicles	—	0
Total	—	0

### (3) Breakdown of loss on retirement of non-current assets is as follows:

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Buildings and structures	2	—
Property, plant and equipment (Other)	1	0
Intangible assets (Other)	4	—
Total	7	0

## 6. Notes to Consolidated Statement of Comprehensive Income

### (1) Reclassification adjustments and tax effects to each component of other comprehensive income

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Valuation difference on available-for-sale securities:		
Amounts arising during the fiscal year	361	(145)
Reclassification adjustments	—	—
Subtotal before tax effect adjustments	361	(145)
Tax effect	(110)	41
Valuation difference on available-for-sale securities	250	(103)
Foreign currency translation adjustment:		
Amounts arising during the fiscal year	(0)	(0)
Share of other comprehensive income/(loss) of equity-method affiliate:		
Amounts arising during the fiscal year	(0)	(18)
Total other comprehensive income	250	(121)

## 7. Notes to Consolidated Statement of Changes in Equity

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

### (1) Type and Number of Shares Issued and Outstanding and Type and Number of Treasury Shares

	Number of shares at beginning of Fiscal 2019	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at end of Fiscal 2019
<b>Issued shares</b>				
Common shares (Note 1)	71,649,387	192,500	—	71,841,887
<b>Total</b>	<b>71,649,387</b>	<b>192,500</b>	<b>—</b>	<b>71,841,887</b>
<b>Treasury shares</b>				
Common shares (Note 2)(Note 3)	3,334,900	61,000	1,200	3,394,700
<b>Total</b>	<b>3,334,900</b>	<b>61,000</b>	<b>1,200</b>	<b>3,394,700</b>

(Notes) 1. The increase in the number of common shares issued and outstanding (192,500 shares) is due to exercise of the fifth offer of subscription rights to shares.  
 2. The increase in the number of treasury shares in common shares (61,000 shares) is due to acquisition of treasury shares based on the resolution by the Board of Directors.  
 3. The decrease in the number of treasury shares in common shares (1,200 shares) is due to provision of shares to the qualifying employees by the share-based payment benefits type ESOP trust.  
 4. The number of treasury shares in common shares includes the Company's shares owned by the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (the share-based payment benefits trust for directors: 487,200 shares at the beginning of Fiscal 2019 and 487,200 shares at the end of Fiscal 2019; the share-based payment benefits type ESOP trust: 234,300 shares at the beginning of Fiscal 2019 and 233,100 shares at the end of Fiscal 2019).

### (2) Subscription Rights to Shares and Subscription Rights to Treasury Shares

Category	Breakdown of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)				Balance at end of Fiscal 2019 (million yen)
			Beginning of Fiscal 2019	Increase during the fiscal year	Decrease during the fiscal year	End of Fiscal 2019	
Reporting company (parent company)	Fifth offer of subscription rights to shares (Note 1)	Common shares	312,500	—	192,500	120,000	0
	Sixth offer of subscription rights to shares (Note 2)	Common shares	1,299,000	—	37,500	1,261,500	1
<b>Total</b>			<b>1,611,500</b>	<b>—</b>	<b>230,000</b>	<b>1,381,500</b>	<b>1</b>

(Notes) 1. The decrease in the number of common shares issued and outstanding (192,500 shares) is due to exercise of the fifth offer of subscription rights to shares.  
 2. The decrease in the number of treasury shares in common shares (37,500 shares) is due to expiration of the sixth offer of subscription rights to shares.  
 3. For the sixth offer of subscription rights to shares, the first day of the exercise period has not yet arrived.

### (3) Dividends

#### 1) Dividends paid

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 26, 2019 Annual General Meeting of Shareholders	Common shares	2,209	32.00	December 31, 2018	March 27, 2019

(Note) The total amount of dividends includes 15 million yen of dividends to the Company's shares owned by the share-based payment benefits trust for directors and 7 million yen of dividends to the Company's shares owned by the share-based payment benefits type ESOP trust.

#### 2) Dividends for which the record date was within the fiscal year but the effective date for the dividends was in the following fiscal year

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
March 26, 2020 Annual General Meeting of Shareholders	Common shares	2,490	Retained earnings	36.00	December 31, 2019	March 27, 2020

(Note) The total amount of dividends includes 17 million yen of dividends to the Company's shares owned by the share-based payment benefits trust for directors and 8 million yen of dividends to the Company's shares owned by the share-based payment benefits type ESOP trust.

Fiscal 2020 (from January 1, 2020 to December 31, 2020)

### (1) Type and Number of Shares Issued and Outstanding and Type and Number of Treasury Shares

	Number of shares at beginning of Fiscal 2020	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares at end of Fiscal 2020
<b>Issued shares</b>				
Common shares (Note 1)	71,841,887	120,000	—	71,961,887
<b>Total</b>	<b>71,841,887</b>	<b>120,000</b>	<b>—</b>	<b>71,961,887</b>
<b>Treasury shares</b>				
Common shares (Note 2)(Note 3)	3,394,700	363,800	330,100	3,428,400
<b>Total</b>	<b>3,394,700</b>	<b>363,800</b>	<b>330,100</b>	<b>3,428,400</b>

(Notes) 1. The increase in the number of common shares issued and outstanding (120,000 shares) is due to exercise of the fifth offer of subscription rights to shares.  
 2. The increase in the number of treasury shares in common shares (363,800 shares) is due to transfer of shares to the share-based payment benefits trust for directors by the Company (330,000 shares) and acquisition of shares on the market by the share-based payment benefits trust for directors (33,800 shares).  
 3. The decrease in the number of treasury shares in common shares (330,100 shares) is due to transfer of shares to the share-based payment benefits trust for directors by the Company (330,000 shares) and provision of shares to the qualifying employees by the share-based payment benefits type ESOP trust (100 shares).  
 4. The number of treasury shares in common shares includes the Company's shares owned by the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (the share-based payment benefits trust for directors: 487,200 shares at the beginning of Fiscal 2020 and 851,000 shares at the end of Fiscal 2020; the share-based payment benefits type ESOP trust: 233,100 shares at the beginning of Fiscal 2020 and 233,000 shares at the end of Fiscal 2020).

**(2) Subscription Rights to Shares and Subscription Rights to Treasury Shares**

Category	Breakdown of subscription rights to shares	Type of shares subject to subscription rights to shares	Number of shares subject to subscription rights to shares (shares)			End of Fiscal 2020	Balance at end of Fiscal 2020 (million yen)
			Beginning of Fiscal 2020	Increase during the fiscal year	Decrease during the fiscal year		
Reporting company (parent company)	Fifth offer of subscription rights to shares (Note 1)	Common shares	120,000	—	120,000	—	—
	Sixth offer of subscription rights to shares (Note 2)	Common shares	1,261,500	—	17,000	1,244,500	1
<b>Total</b>		—	1,381,500	—	137,000	1,244,500	1

(Notes) 1. The decrease in the number of common shares issued and outstanding (120,000 shares) is due to exercise of the fifth offer of subscription rights to shares.  
2. The decrease in the number of treasury shares in common shares (17,000 shares) is due to expiration of the sixth offer of subscription rights to shares.  
3. For the sixth offer of subscription rights to shares, the first day of the exercise period has not yet arrived.

**(3) Dividends****1) Dividends paid**

(Resolution)	Type of shares	Total dividends (million yen)	Dividend per share (yen)	Record date	Effective date
March 26, 2020 Annual General Meeting of Shareholders	Common shares	2,490	36.00	December 31, 2019	March 27, 2020

(Note) The total amount of dividends includes 17 million yen of dividends to the Company's shares owned by the share-based payment benefits trust for directors and 8 million yen of dividends to the Company's shares owned by the share-based payment benefits type ESOP trust.

**2) Dividends for which the record date was within the fiscal year but the effective date for the dividends was in the following fiscal year**

(Resolution)	Type of shares	Total dividends (million yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
March 26, 2021 Annual General Meeting of Shareholders	Common shares	2,645	Retained earnings	38.00	December 31, 2020	March 29, 2021

(Note) The total amount of dividends includes 32 million yen of dividends to the Company's shares owned by the share-based payment benefits trust for directors and 8 million yen of dividends to the Company's shares owned by the share-based payment benefits type ESOP trust.

**8. Notes to Consolidated Statement of Cash Flows****(1) Relationship between the year-end balance of cash and cash equivalents and the amounts of accounts on the consolidated balance sheet**

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Cash and deposits	22,511	23,870
Time deposits with maturities of more than 3 months	(44)	(43)
Deposits of share-based payment benefits trust	(53)	(28)
Cash and cash equivalents	22,413	23,798

**(2) Major breakdown of assets and liabilities of the companies that were newly consolidated in the fiscal year ended March 31, 2019 through acquisition of their shares**

In association with the new consolidation of ES-CON Home Ltd. (former One's Own House Co., Ltd.) and ES-CON Craft Ltd. (former Rise Home Co., Ltd.) through acquisition of their shares, the following table indicates the breakdown of the assets and liabilities and the relationship between the acquisition price and expenditures for acquisition (net) at the beginning of consolidation.

(Unit: million yen)

Current assets	2,462
Non-current assets	37
Goodwill	485
Current liabilities	(1,640)
Non-current liabilities	(190)
Acquisition price of newly consolidated subsidiaries	1,154
Cash and cash equivalents of newly consolidated subsidiaries	(843)
Difference: expenditures for acquisition of shares of the subsidiaries accompanying changes in the scope of consolidation	310

**(3) Major breakdown of assets and liabilities of the company that was newly consolidated in the fiscal year ended December 31, 2020 through acquisition of its shares**

In association with the new consolidation of Ryomon Co., Ltd. through acquisition of its shares, the following table indicates the breakdown of the assets and liabilities and the relationship between the acquisition price and income from acquisition (net) at the beginning of consolidation.

(Unit: million yen)

Current assets	143
Non-current assets	0
Goodwill	3
Current liabilities	(51)
Non-controlling interests	(45)
Acquisition price of newly consolidated subsidiary	51
Cash and cash equivalents of newly consolidated subsidiary	(142)
Difference: income from acquisition of shares of the subsidiary accompanying changes in the scope of consolidation	91

## 9. Lease Transactions

### (Lessee)

#### (1) Finance Lease Transactions

Finance lease transactions without any transfer of ownership of leased assets

##### 1) Leased assets

Property, plant and equipment

Consists of vehicles, etc.

##### 2) Depreciation method for leased assets

As described in 3. Summary of Significant Accounting Policies, (4) Depreciation method for significant depreciable assets

#### (2) Operating Lease Transactions

Unearned lease payments for non-cancellable operating lease transactions (Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
Due within one year	298	460
Due after one year	434	1,078
Total	732	1,538

### (Lessor)

#### (1) Operating Lease Transactions

Unearned lease payments for non-cancellable operating lease transactions (Unit: million yen)

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2019 (as of December 31, 2019)
Due within one year	486	1,302
Due after one year	2,276	5,652
Total	2,763	6,955

## 10. Financial Instruments

### (1) Conditions of Financial Instruments

#### 1) Policy for financial instruments

The ES-CON JAPAN Group manages funds only through short-term deposits, etc., and procures funds mainly through borrowing from banks and other financial institutions.

#### 2) Description of financial instruments and associated risks, and risk management structure

Among operating receivables, notes and accounts receivable – trade are exposed to customer credit risks. The Company averts such risks by receiving guarantee deposits for part of them. Moreover, in terms of these risks, it conducts credit

control and account balance management for respective customers in accordance with the internal rules of the ES-CON JAPAN Group, and works to identify and mitigate concerns about accounts becoming uncollectible due to such factors as worsening of financial conditions at its business customers at an early stage.

Investment securities mainly consist of shares owned over a medium to long term in order to strengthen relationships with business partners and silent partnership, etc. Listed shares, etc. are exposed to market price fluctuation risks, but the Company periodically checks their fair value. Non-listed shares and silent partnership, etc. have the risks from worsening financial conditions, etc. of the issuer companies and silent partnership, etc., but the Company periodically checks their financial conditions and other factors through financial statements and other materials.

Among operating payables, accounts payable – other are to be fully paid within one year.

Deposits received mainly consist of guarantee deposits received from tenants of income-generating real estate, and funds deposited by joint venture partners of certain real estate development projects.

Among loans payable and bonds payable, short-term loans payable and bonds payable are procured mainly for working capital, and long-term loans payable are procured mainly for real estate development projects. In addition, while loans payable are exposed to liquidity risks related to fund procurement, the ES-CON JAPAN Group manages the risks through such measures as preparing capital plans on a monthly basis.

#### 3) Supplementary explanation on fair value, etc. of financial instruments

The fair value of financial instruments, aside from values based on market price, includes values based on reasonable calculations when there is no market price. Certain variable factors are adopted in calculating those values, and there may be cases where the values will vary when different assumptions, etc. are adopted.

### (2) Fair Value, Etc. of Financial Instruments

The following table shows the book values on the consolidated balance sheet, fair value and the difference between them. The following table does not include items for which determining the fair value is recognized to be extremely difficult (See Note 2 below).

Fiscal 2019 (as of December 31, 2019) (Unit: million yen)

	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	22,511	22,511	—
(2) Notes and accounts receivable - trade	598	598	—
(3) Investment securities Other securities	1,543	1,543	—
Total of assets	24,654	24,654	—
(1) Accounts payable - other	2,097	2,097	—
(2) Deposits received	4,733	4,733	—
(3) Short-term loans payable	4,580	4,580	—
(4) Long-term loans payable*1	80,135	80,164	29
(5) Bonds payable*2	270	270	0
Total of liabilities	91,816	91,845	29

\*1 Long-term loans payable includes current portion of long-term loans payable.

\*2 Bonds payable includes current portion of bonds payable.

Fiscal 2020 (as of December 31, 2020)

(Unit: million yen)

	Book value recorded on the balance sheet	Fair value	Difference
(1) Cash and deposits	23,870	23,870	—
(2) Notes and accounts receivable - trade	927	927	—
(3) Investment securities Other securities	1,670	1,670	—
<b>Total of assets</b>	<b>26,468</b>	<b>26,468</b>	<b>—</b>
(1) Accounts payable - other	1,590	1,590	—
(2) Deposits received	4,583	4,583	—
(3) Short-term loans payable	2,907	2,907	—
(4) Long-term loans payable*1	95,368	95,302	(65)
(5) Bonds payable*2	230	230	—
<b>Total of liabilities</b>	<b>104,679</b>	<b>104,614</b>	<b>(65)</b>

\*1 Long-term loans payable includes current portion of long-term loans payable.

\*2 Bonds payable includes current portion of bonds payable.

(Notes) 1. Calculation method for fair value of financial instruments and matters related to derivative transactions.

**Assets**

(1) Cash and deposits and (2) Notes and accounts receivable - trade

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(3) Investment securities

With regard to investment securities, the fair value of stocks is determined by their price on stock exchanges.

**Liabilities**

(1) Accounts payable - other, (2) Deposits received and (3) Short-term loans payable

As these are settled within a short period of time, the fair value is approximately the same as the book value and is thus stated at that book value.

(4) Long-term loans payable and (5) Bonds payable

The fair value of these financial instruments is based on the method of calculating by discounting the sum of their principal by a rate assumed as being applicable to a new similar borrowing to be made or bonds payable to be issued by the Company.

2. Financial instruments for which discerning fair value is recognized to be extremely difficult.

(Unit: million yen)

Category	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
1) Non-listed shares	417	1,294
2) Silent partnership equity investment, etc.	749	591
<b>Total</b>	<b>1,167</b>	<b>1,886</b>

These are not subject to disclosure of fair value because discerning fair value is recognized to be extremely difficult as there is no market price and future cash flows cannot be estimated.

3. Scheduled redemption amount of monetary claims and securities with maturities after closing of accounts.

Fiscal 2019 (as of December 31, 2019)

(Unit: million yen)

	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 years or more
Cash and deposits	22,511	—	—	—
Notes and accounts receivable - trade	598	—	—	—
<b>Total</b>	<b>23,110</b>	<b>—</b>	<b>—</b>	<b>—</b>

Fiscal 2020 (as of December 31, 2020)

(Unit: million yen)

	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 years or more
Cash and deposits	23,870	—	—	—
Notes and accounts receivable - trade	927	—	—	—
<b>Total</b>	<b>24,798</b>	<b>—</b>	<b>—</b>	<b>—</b>

4. Scheduled repayment amount of bonds payable, long-term loans payable and other interest-bearing liabilities after closing of accounts.

Fiscal 2019 (as of December 31, 2019)

(Unit: million yen)

	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due in 5 years or more
Short-term loans payable	4,580	—	—	—	—	—
Long-term loans payable	32,415	16,608	12,409	8,868	4,246	5,587
Bonds payable	40	230	—	—	—	—
<b>Total</b>	<b>37,035</b>	<b>16,838</b>	<b>12,409</b>	<b>8,868</b>	<b>4,246</b>	<b>5,587</b>

Fiscal 2020 (as of December 31, 2020)

(Unit: million yen)

	Due within 1 year	Due in 1 to 2 years	Due in 2 to 3 years	Due in 3 to 4 years	Due in 4 to 5 years	Due in 5 years or more
Short-term loans payable	2,907	—	—	—	—	—
Long-term loans payable	26,093	22,719	15,521	5,380	3,776	21,876
Bonds payable	230	—	—	—	—	—
<b>Total</b>	<b>29,231</b>	<b>22,719</b>	<b>15,521</b>	<b>5,380</b>	<b>3,776</b>	<b>21,876</b>

## 11. Notes to Securities

### (1) Other Securities

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

(Unit: million yen)

	Type	Book value recorded on the balance sheet	Acquisition cost	Difference
Securities with book values on the consolidated balance sheet exceeding acquisition cost	(1) Shares	34	27	6
	(2) Other	1,509	1,149	360
<b>Total</b>		<b>1,543</b>	<b>1,176</b>	<b>367</b>

(Note) The table above does not include non-listed shares and silent partnership equity investment, etc. (book value recorded on the consolidated balance sheet: 1,167 million yen) as Other securities, because discerning fair value is recognized to be extremely difficult as there is no market price.

Fiscal 2020 (from January 1, 2020 to December 31, 2020)

(Unit: million yen)

	Type	Book value recorded on the balance sheet	Acquisition cost	Difference
Securities with book values on the consolidated balance sheet exceeding acquisition cost	(1) Shares	—	—	—
	(2) Other	1,643	1,420	223
Securities with book values on the consolidated balance sheet not exceeding acquisition cost	(1) Shares	25	27	(1)
	(2) Other	0	0	(0)
<b>Total</b>		<b>1,670</b>	<b>1,448</b>	<b>221</b>

(Note) The table above does not include non-listed shares and silent partnership equity investment, etc. (book value recorded on the consolidated balance sheet: 1,886 million yen) as Other securities, because discerning fair value is recognized to be extremely difficult as there is no market price.

## 12. Notes to Derivative Transactions

Not applicable

## 13. Notes to Retirement Benefits

### Fiscal 2019 (from January 1, 2019 to December 31, 2019)

#### (1) Description of Retirement Benefit Plans Adopted by the Company

The Company and certain consolidated subsidiaries have adopted a defined contribution pension plan.

#### (2) Defined Contribution Pension Plan

The Company and certain consolidated subsidiaries paid 13 million yen for the defined contribution pension plan.

### Fiscal 2020 (from January 1, 2020 to December 31, 2020)

#### (1) Description of Retirement Benefit Plans Adopted by the Company

The Company and certain consolidated subsidiaries have adopted a defined contribution pension plan.

#### (2) Defined Contribution Pension Plan

The Company and certain consolidated subsidiaries paid 16 million yen for the defined contribution pension plan.

## 14. Notes to Stock Options, Etc.

### (Additional Information)

(Adoption of the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

For transactions granting employees and others stock acquisition rights, which involve considerations, with vesting conditions conducted prior to the application date of the Practical Solution on Transactions Granting Employees and Others Stock Acquisition Rights, which Involve Considerations, with Vesting Conditions (Practical Issues Task Force (PTIF) No. 36; January 12, 2018), the Company continues to conduct the accounting treatment that have been conventionally applied for such transactions.

#### 1. Overview of the stock acquisition rights, which involve considerations, with vesting conditions

##### (1) Descriptions of the stock acquisition rights, which involve considerations, with vesting conditions

	5th subscription rights to shares	6th subscription rights to shares
Category and number of eligible persons	49 people comprising the Company's directors (in-house) and employees	146 people comprising the Company's directors and employees and the employees of its subsidiaries
Number of stock options by type of shares (Note 1)	Common shares: 3,500,000 shares	Common shares: 1,400,000 shares
Date of grant of options	November 29, 2013	December 27, 2017
Vesting conditions	(Note 2)	(Note 3)
Covered period of work	Not specified	Not specified
Exercise period	From April 1, 2015 to November 28, 2020	From April 1, 2021 to December 26, 2025

(Notes) 1. The figures have been converted to the number of shares.

2. The vesting conditions to exercise the subscription rights to shares are as follows;

(1) The persons eligible for the subscription rights to shares may not exercise their rights from the fiscal year ended December 2014 to the fiscal year ended December 2016 if the operating income (referring to the operating income in the consolidated statement of income described in the Company's securities report (or statement of income if no consolidated statement of income is prepared); the same shall apply hereinafter) falls below 1,790 million yen.

(2) When (1) above is satisfied, the persons eligible for the subscription rights to shares may exercise their rights for the number of shared equivalent to 10% of the subscription rights to shares allotted to them if the operating income for any of the fiscal years ended December 2014 through December 2016 exceeds 2,500 million yen. Furthermore, when the number of the subscription rights to shares they can exercise has a portion less than one share, the number shall be rounded down to one share.

(3) Even before (1) above is satisfied, the persons eligible for the subscription rights to shares may exercise the entire subscription rights to shares allotted to them if the cumulative operating income for the fiscal years ended December 2014 through December 2016 exceeds 7,000 million yen. Furthermore, they may exercise the entire subscription rights to shares allotted to them if the cumulative operating income for the fiscal years ended December 2014 through December 2015 exceeds 7,000 million yen.

(4) In determining the operating income for (1) through (3) above, if material changes are made to the concept of the operating income to be referred to due to changes in the applicable accounting standards, etc., the Company shall otherwise determine the appropriate indicators to be referred to at the Board of Directors to the extent reasonable.

(5) The persons eligible for the subscription rights to shares must be directors, auditors or employees of the Company or its affiliates when they exercise their subscription rights to shares; however, this shall not apply for their retirement from office due to expiration of tenure, retirement at predetermined age or for other reasons deemed reasonable by the Board of Directors.

(6) Successors of the persons eligible for the subscription rights to shares may not exercise the subscription rights to shares; however, this shall not apply if the persons eligible for the subscription rights to shares died of accidents during their work or if the Board of Directors approve that there is fair reason to allow the said successors to exercise the subscription rights to shares.

(7) The subscription rights to shares may not be exercised if such an exercise cause the Company's number of shares issued and outstanding to exceed the authorized number of shares at that time.

(8) The subscription rights to shares may not be exercised for less than one share each.

3. The vesting conditions to exercise the subscription rights to shares are as follows;

(1) The persons eligible for the subscription rights to shares may exercise the subscription rights to shares allotted to them, starting on the first day of the month following the date when the securities report for the fiscal year ending December 2020 is submitted, if the Company's operating income for all the fiscal years ending December 2018 through December 2020 exceeds the respective amounts described in the following items. When the number of the subscription rights to shares they can exercise has a portion less than one share, the number shall be rounded down to one share.

1) If the operating income for the fiscal year ended December 2018 exceeded 8,500 million yen

2) If the operating income for the fiscal year ending December 2019 exceeds 9,500 million yen

3) If the operating income for the fiscal year ending December 2020 exceeds 10,000 million yen

Furthermore, in determining the operating income stated above, the operating income in the consolidated statement of income described in the Company's securities report (or statement of income if no consolidated statement of income is prepared) shall be referred to. In addition, if material changes are made to the concept of the items to be referred to due to such reasons as application of the international financial reporting standards, the Company shall otherwise determine the appropriate indicators to be referred to at the Board of Directors to the extent reasonable (the same shall be applied hereinafter).

(2) The persons eligible for the subscription rights to shares must be directors, auditors or employees of the Company or its affiliates when they exercise their subscription rights to shares; however, this shall not apply for their retirement from office due to expiration of tenure, retirement at predetermined age or for other reasons deemed reasonable by the Board of Directors.

(3) Successors of the persons eligible for the subscription rights to shares may not exercise the stock acquisition rights; however, this shall not apply if the persons eligible for the subscription rights to shares died of accidents during their work or if the Board of Directors approve that there is fair reason to allow the said successors to exercise the subscription rights to shares.

(4) The subscription rights to shares may not be exercised if such an exercise cause the Company's number of shares issued and outstanding to exceed the authorized number of shares at that time.

(5) The subscription rights to shares may not be exercised for less than one share each.

#### (2) Size and changes of the stock acquisition rights, which involve considerations, with vesting conditions

The following table describes the stock option plan that existed in Fiscal 2020 ended December 31, 2020. The number of stock options indicates the number of shares when the stock options are exercised.

##### 1) Number of stock options

	5th subscription rights to shares	6th subscription rights to shares
Before right allotment (shares)		
Balance of unexercised options at the end of the previous fiscal year	—	1,261,500
Granted	—	—
Expired	—	17,000
Right allotment	—	—
Balance of unexercised options	—	1,244,500
After right allotment (shares)		
Balance of unexercised options at the end of the previous fiscal year	120,000	—
Right allotment	—	—
Exercise of right	120,000	—
Expired	—	—
Balance of unexercised options	—	—

2) Unit price information		(Unit: yen)
Exercise price	157	627
Average share price upon exercise	833	—

## 2. Overview of the adopted accounting treatment

When issuing the subscription rights to shares, the Company records the paid-in amount corresponding to the issuance as Subscription rights to shares in Net assets of the balance sheet. When the subscription rights to shares are exercised and new shares are issued, the Company re-states the paid-in amount corresponding to the issuance of the said subscription rights to shares and the paid-in amount corresponding to the exercise of the subscription rights to shares as Capital stock and Capital surplus.

Furthermore, when the subscription rights to shares are expired, the Company records the amount corresponding to the expiration as profits for the fiscal year in which the expiration has been finalized.

## 15. Notes to Tax Effect Accounting

### (1) Significant Components of Deferred Tax Assets and Deferred Tax Liabilities

	Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
Deferred tax assets		
Net operating loss carried forward	1	16
Loss on valuation of inventories	592	229
Enterprise tax payable	169	104
Impairment loss	33	28
Asset retirement obligations	76	79
Loss on valuation of investment securities	23	40
Other	125	266
Subtotal of deferred tax assets	1,023	766
Valuation allowance	(192)	(231)
Total of deferred tax assets	831	534
Deferred tax liabilities		
Asset retirement expenses	(58)	(57)
Loss on valuation of other securities	(110)	(68)
Other	(3)	(4)
Total of deferred tax liabilities	(172)	(130)
Deferred tax assets, net	659	403

(Changes in Presentation)

With regard to Enterprise tax payable, which was included in Other under Deferred tax assets for the previous fiscal year ended December 31, 2019, the Company has presented it separately for the fiscal year ended December 31, 2020 as its relative importance in the breakdown increased. To reflect this change in the presentation method, the breakdown of deferred tax assets for the previous fiscal year have been reclassified.

As a result, the 295 million yen in Other for the previous fiscal year was reclassified into 169 million yen as Enterprise tax payable and 125 million yen as Other.

### (2) Significant Components of Material Difference between the Effective Statutory Tax Rate and Income Tax Rate Applicable after Applying Tax Effect Accounting

Fiscal 2019 (as of December 31, 2019)	Fiscal 2020 (as of December 31, 2020)
The note is omitted as the difference between the effective statutory tax rate and the income tax rate applicable after applying tax effect accounting is less than 5/100 of the effective statutory tax rate.	The note is omitted as the difference between the effective statutory tax rate and the income tax rate applicable after applying tax effect accounting is less than 5/100 of the effective statutory tax rate.

## 16. Notes to Business Combination, Etc.

### (Business combination through acquisition)

The Company made a resolution at its Board of Directors' meeting held on October 29, 2020 to acquire the shares of Ryomon Co., Ltd. and make it a subsidiary. The Company also concluded a share transfer agreement as of the same date, and acquired the shares of Ryomon Co., Ltd. as of October 29, 2020.

#### 1. Overview of business combination

##### (1) Name and business description of the acquired company

Name of the acquired company	Ryomon Co., Ltd.
Business description	Sales of permanent use rights, operations and management of ossuaries

##### (2) Major reason of conducting business combination

The Company decided to acquire the shares of Ryomon Co., Ltd. and make it a subsidiary for the purpose of help solving issues of the modern society, including inadequate availability of cemeteries in an aging society with many deaths, lack of persons to keep their family graves as families are becoming smaller due to the dropping birthrate, and the extreme difficulty to obtain graveyards especially in city centers.

##### (3) Date of business combination

October 29, 2020

##### (4) Legal format of business combination

Acquisition of shares with considerations paid by cash

##### (5) Company name after business combination

Ryomon Co., Ltd.

##### (6) Ratio of acquired voting rights

51%

##### (7) Major grounds for deciding on the company to be acquired

By acquiring the shares of the company with considerations paid by cash



## 2. Period during which the performance of the acquired company is included in the Company's Consolidated Financial Statements for the fiscal year ended December 31, 2020

From October 30, 2020 to December 31, 2020

## 3. Acquisition cost of the acquired company and breakdown of considerations by type

Considerations of the acquisition: Cash 51 million yen

Acquisition cost: 51 million yen

## 4. Item and amount of major acquisition-related expenses

Not applicable

## 5. Amount of generated goodwill, grounds for generation, amortization method and amortization period

(1) Amount of goodwill generated

3 million yen

(2) Grounds for generation

Reflects the excess earning power that is expected to arise through the business implementation in the future

(3) Amortization method and amortization period

Immediately amortized as the goodwill is of small importance

## 6. Amounts and major breakdown of assets acquired and liabilities assumed on the date of business combination

Current assets	143 million yen
Non-current assets	0 million yen
Total assets	143 million yen
Current liabilities	51 million yen
Total liabilities	51 million yen

7. Estimate amount of the impact on the consolidated statement of income of the fiscal year ended December 2019 on the supposition that the business combination completed on the beginning day of the fiscal year, and its calculation method

Descriptions are omitted as the estimate amount of the impact in the fiscal year ended December 2020 is of small importance.

## 17. Notes to Asset Retirement Obligations

### [Asset retirement obligations that are recorded on the consolidated balance sheet]

#### (1) Description of the Relevant Asset Retirement Obligations

The Company is mainly obliged to restore its Tokyo Head Office, Osaka Head Office, Nagoya Office, Kyushu Office and Hokkaido Office to the original state in accordance with each of the real estate lease agreements.

#### (2) Calculation Method of the Amount of the Asset Retirement Obligations

The amount of the asset retirement obligations is calculated by using discount rates of 0.0% to 1.9%, with the expected period of use estimated to be 6 years to 18 years.

## (3) Increase/Decrease of the Total Amount of the Asset Retirement Obligations

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Balance at beginning of fiscal year	111	249
Increase due to acquisition of property, plant and equipment	172	9
Adjustments over passage of time	1	1
Decrease due to implementation of asset retirement obligations	(3)	—
Other	(33)	—
Balance at end of fiscal year	249	260

## 18. Notes to Rental Real Estate

The Company owns retail properties, medical facilities and other properties. Income or loss from leasing these rental properties during Fiscal 2019 totaled 578 million yen in income (with rental income recorded as net sales and rental expenses recorded as cost of sales). Income or loss from leasing these rental properties during Fiscal 2020 totaled 641 million yen in income (with rental income recorded as net sales and rental expenses recorded as cost of sales).

The book value for the rental real estate as stated in the consolidated balance sheet, the amount of increase/decrease during the fiscal year and fair value were as follows:

(Unit: million yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2019 (from January 1, 2019 to December 31, 2019)
Book value recorded on the consolidated balance sheet		
Balance at beginning of fiscal year	1,526	12,657
Increase/decrease during fiscal year	11,130	1,478
Balance at end of fiscal year	12,657	14,135
Fair value at end of fiscal year	13,270	14,180

[Notes] 1. The book value recorded on the consolidated balance sheet represents the amount obtained by deducting accumulated depreciation and accumulated impairment loss from acquisition cost.

2. Of the amount of increase/decrease during fiscal year, the amount of increase during Fiscal 2019 is primarily attributable to acquisition of rental real estate (2,823 million yen) and transfer from real estate for sale in process due to a change in the holding purpose (8,410 million yen), and the amount of decrease is primarily attributable to depreciation (104 million yen). The amount of increase during Fiscal 2020 is primarily attributable to acquisition of rental real estate (1,660 million yen), and the amount of decrease is primarily attributable to depreciation (281 million yen).

3. Fair value at end of fiscal year indicates the amount calculated on the basis of Japan's Real Estate Appraisal Standards, using appraisals by outside real estate appraisers as a reference.

## 19. Segment Information

### (1) Overview of Reportable Segments

The reportable segments of the ES-CON JAPAN Group are, among the Group's business units, those for which separate financial information can be obtained and that are to be regularly reviewed by the Board of Directors and other meeting structures in order to decide the distribution of management resources and to assess business performance.

The ES-CON JAPAN Group integrates individual projects that have similar features in terms of products and services into three reportable segments of Real estate sales business, Real estate leasing business and Real estate planning agency and consulting business.

Each of the reportable segments mainly comprises the following operations.

Real estate sales business: Development and sale of for-sale condominiums and retail properties, sale of land, etc.

Real estate leasing business: Leasing of real estate, etc.

Real estate planning agency and consulting business: Consigned operations of real estate-related services, brokerage of transactions, sales agency, etc.

## (2) Calculation Method of Net Sales, Income or Loss, Assets and Other Item Amounts by Reportable Segment

The accounting method for the reported business segments is the same as described in “Summary of significant accounting policies.”

## (3) Information on Net Sales, Income or Loss, Assets and Other Item Amounts by Reportable Segment

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

(Unit: million yen)

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

(Notes) 1. Reconciliations are as follows:

(1) The reconciliation of segment income of -4,178 million yen is from corporate expenses not attributable to any reportable segment.

Corporate expenses are general and administrative expenses not attributable to reportable segments.

(2) The reconciliation of segment assets of 24,843 million yen is mainly from surplus operating funds (cash and deposits) and administrative assets, etc. not attributable to reportable segments.

(3) The reconciliation of depreciation of 71 million yen is from depreciation on corporate assets not attributable to reportable segments.

(4) The reconciliation of increase in property, plant and equipment and intangible assets of 577 million yen is from an increase in corporate assets not attributable to reportable segments.

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

Fiscal 2020 (from January 1, 2020 to December 31, 2020)

(Unit: million yen)

	Reportable segment			Total	Reconciliation (Note 1)	Amount on consolidated financial statements (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	71,485	5,527	295	77,308	—	77,308
Intersegment net sales or transfers	—	—	—	—	—	—
Total	71,485	5,527	295	77,308	—	77,308
Segment income	14,257	2,381	152	16,791	(4,588)	12,202
Segment assets	95,146	20,521	6,598	122,266	27,156	149,423
Other items						
Depreciation	—	283	4	287	116	403
Amortization of goodwill	97	—	3	100	—	100
Investment in equity method affiliates	455	—	—	455	—	455
Increase in property, plant and equipment and intangible assets	—	1,761	4,003	5,765	79	5,845

(Notes) 1. Reconciliations are as follows:

(1) The reconciliation of segment income of -4,588 million yen is from corporate expenses not attributable to any reportable segment.

Corporate expenses are general and administrative expenses not attributable to reportable segments.

(2) The reconciliation of segment assets of 27,156 million yen is mainly from surplus operating funds (cash and deposits) and administrative assets, etc. not attributable to reportable segments.

(3) The reconciliation of depreciation of 116 million yen is from depreciation on corporate assets not attributable to reportable segments.

(4) The reconciliation of increase in property, plant and equipment and intangible assets of 79 million yen is from an increase in corporate assets not attributable to reportable segments.

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

## 20. Related Information

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

### (1) Information by Product and Service

Descriptions are omitted as identical information is disclosed in the segment information section.

### (2) Information by Region

#### 1) Net sales

Not applicable as the Company records no net sales to external customers outside Japan.

#### 2) Property, plant and equipment

Not applicable as the Company has no property, plant and equipment outside Japan.

### (3) Information by Major Customer

Customer's name	Sales (million yen)	Related segment
ESCON JAPAN REIT Investment Corporation	14,137	Real estate sales business Real estate leasing business

## Fiscal 2020 (from January 1, 2020 to December 31, 2020)

## (1) Information by Product and Service

Descriptions are omitted as identical information is disclosed in the segment information section.

## (2) Information by Region

## 1) Net sales

Not applicable as the Company records no net sales to external customers outside Japan.

## 2) Property, plant and equipment

Not applicable as the Company has no property, plant and equipment outside Japan.

## (3) Information by Major Customer

Customer's name	Sales (million yen)	Related segment
ESCON JAPAN REIT Investment Corporation	10,797	Real estate sales business Real estate leasing business
Chuden Real Estate Co., Inc.	9,605	Real estate sales business Real estate leasing business
Hyogo Logistics TMK	7,740	Real estate sales business

## 21. Information on Impairment Loss on Non-current Assets by Reportable Segment

## Fiscal 2019 (from January 1, 2019 to December 31, 2019)

Not applicable

## Fiscal 2020 (from January 1, 2020 to December 31, 2020)

Not applicable

## 22. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

## Fiscal 2019 (from January 1, 2019 to December 31, 2019)

(Unit: million yen)

	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Eliminations or corporate	Total
Amortization amount during the fiscal year	48	—	—	—	48
Balance at the end of the fiscal year	436	—	—	—	436

## Fiscal 2020 (from January 1, 2020 to December 31, 2020)

(Unit: million yen)

	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business	Eliminations or corporate	Total
Amortization amount during the fiscal year	97	—	3	—	100
Balance at the end of the fiscal year	339	—	—	—	339

## 23. Information on Gain on Negative Goodwill by Reportable Segment

Not applicable

## 24. Information on Related Parties

## Fiscal 2019 (from January 1, 2019 to December 31, 2019)

## (1) Transactions with Related Parties

1) Transactions between the filing party of these consolidated financial statements and related parties

a. Subsidiaries, etc. of other affiliates of the filing party of these consolidated financial statements

Type	Name	Location	Paid-in capital or equity investment (million yen)	Business description or occupation	The Company's share of voting rights, etc. for ownership of such in the Company]	Description of relationship	Description of transaction	Transaction amount (million yen)	Category	Balance at end of fiscal year (million yen)
Subsidiary of other affiliates	Chuden Real Estate Co., Inc.	Naka-ku, Nagoya-shi	100	Real estate business	—	Transfer of real estate	Transfer of real estate for sale (Note 2)	9,515	Advances received	475

[Notes] 1. The figure does not include consumption taxes.

2. The Company sold retail properties and lands for retail properties. The transaction amount has been reasonably determined in consideration of the real estate appraisal value. Payment terms require payment of the amount equivalent to 5% upon contracting and the rest upon implementation of the transaction. Furthermore, implementation of the transaction completed on February 4, 2020.

b. Officers of the filing party of these consolidated financial statements and major shareholders (individuals only), etc.

Not applicable

c. Consolidated subsidiaries of the filing party of these consolidated financial statements and affiliates

Not applicable.

2) Transactions between the consolidated subsidiaries of the filing party of these consolidated financial statements and related parties

Not applicable.

## (2) Notes to Parent Company or Important Affiliates

Not applicable.

## Fiscal 2019 (from January 1, 2019 to December 31, 2019)

## (1) Transactions with Related Parties

## 1) Transactions between the filing party of these consolidated financial statements and related parties

## a. Subsidiaries, etc. of other affiliates of the filing party of these consolidated financial statements

Type	Name	Location	Paid-in capital or equity investment (million yen)	Business description or occupation	The Company's share of voting rights, etc. [or ownership of such in the Company]	Description of relationship	Description of transaction	Transaction amount (million yen)	Category	Balance at end of fiscal year (million yen)
Subsidiary of other affiliates	Chuden Real Estate Co., Inc.	Naka-ku, Nagoya-shi	100	Real estate business	—	Transfer of real estate	Transfer of real estate for sale (Note 2)	9,515	—	—

[Notes] 1. The figure does not include consumption taxes.

2. The Company sold retail properties and lands for retail properties. The transaction amount has been reasonably determined in consideration of the real estate appraisal value. Payment terms require payment of the amount equivalent to 5% upon contracting and the rest upon implementation of the transaction.

## 2) Transactions between the consolidated subsidiaries of the filing party of these consolidated financial statements and related parties

Not applicable.

## (2) Notes to Parent Company or Important Affiliates

Not applicable.

## 25. Per Share Information

(Unit: yen)

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2020 (from January 1, 2020 to December 31, 2020)
Net assets per share	490.08	563.07
Basic earnings per share	119.17	111.94
Diluted earnings per share	118.93	111.37

[Notes] 1. In calculating net assets per share, the Company's shares owned by the share-based payment benefits trust for directors and share-based payment benefits type ESOP trust (the share-based payment benefits trust for directors: 487,200 shares for Fiscal 2019 and 851,000 shares for Fiscal 2020; the share-based payment benefits type ESOP trust: 233,100 shares for Fiscal 2019 and 233,000 shares for Fiscal 2020) are included in treasury shares, which are excluded from the number of shares issued and outstanding at end of the fiscal year.

2. In calculating basic earnings per share and diluted earnings per share, the Company's shares owned by the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (721,142 shares for Fiscal 2019 and 950,138 shares for Fiscal 2020) are included in treasury shares, which are excluded when calculating the period-average number of shares.

3. The basis for the calculation of basic earnings per share and diluted earnings per share is as follows:

	Fiscal 2019 (from January 1, 2019 to December 31, 2019)	Fiscal 2019 (from January 1, 2020 to December 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	8,155	7,663
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent for common shares (million yen)	8,155	7,663
Period-average number of common shares (shares)	68,433,365	68,459,909
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (million yen)	—	—
Increase in common shares (shares)	136,502	349,477
Description of dilutive shares without dilutive effect and not included in the calculation of diluted earnings per share	Sixth offer of subscription rights to shares based on resolution by the Board of Directors' meeting on December 1, 2017 Common shares: 1,261,500 shares	—

## 26. Significant Subsequent Events

## Conclusion of Agreement on Capital and Business Partnership and Issue of New Shares through Third-Party Allocation

The Company resolved at its board of directors' meeting held on February 24, 2021 to submit to the 26th Ordinary General Meeting of Shareholders for approval about newly concluding an agreement on capital and business partnership with Chubu Electric Power Co., Inc. ("Chubu Electric Power") (the "Capital and Business Partnership Agreement") and issuing new shares through third-party allotment to Chubu Electric Power as the allottee (the "Third-party Allotment"). The agenda was approved by the said General Meeting of Shareholders held on March 26, 2021.

Payment for the Third-party Allotment will be completed on April 5, and the Company will become a consolidated subsidiary of Chubu Electric Power.

## 1. Overview of the Capital and Business Partnership Agreement

## (1) Purpose and Reason

The Company aims to achieve the following objectives: a) Becoming a consolidated subsidiary of Chubu Electric Power, which boasts strong corporate credit standing will allow diversification of fundraising methods and reduce fundraising costs by improving the Company's creditworthiness; b) The move will also enable participation in large-scale urban-development projects through further business partnerships with the Chubu Electric Power Group; and c) This will provide increased access to real estate information and, by extension, make it possible for the Company to increase its corporate value even further by increasing earnings potential and enhancing management stability.

## (2) Details of the Business Partnership

In the Capital and Business Partnership Agreement newly concluded on February 24, 2021 between the Company and Chubu Electric Power, the two companies agreed on a business tie-up with the following items as major subjects, in order to promote business progress and increase the corporate value of both firms:

- (i) Enhancing joint efforts related to energy supply and facility construction
- (ii) Joint research and joint implementation in businesses related to next-generation smart houses, connected homes, and so forth
- (iii) Further enhancing the partnership with Chuden Real Estate, a member of the Chubu Electric Power Group

(iv) Enhancing partnerships related to the effective utilization and development of unused or underused land belonging to the Chubu Electric Power Group

(v) Joint initiatives in businesses that constitute to society, including urban development

Plans call for the Company and Chubu Electric Power to discuss details of the business partnership after concluding the Capital and Business Partnership Agreement.

### (3) Details of the Capital Partnership

As described above, the Company will allot shares of its common stock to Chubu Electric Power as the allottee by issuing new shares through the Third-party Allotment.

## 2. Issue of New Shares through Third-party Allotment

### (1) Purpose and Reason

As described in (1) Purpose and Reason in 1. Overview of the Capital and Business Partnership Agreement above, the Third-party Allotment will be conducted as part of the partnership, and the Company will issue new shares with Chubu Electric Power as the allottee with the aim of reinforcing the business and financial foundations.

### (2) Overview of Issuance

- |   |   |
|---|---|
| 1) Type of shares to be issued            | 26,619,000 shares in common stock   |
| 2) Paid-in amount                         | 769 yen per share   |
| 3) Total paid-in amount                   | 20,470 million yen  |
| 4) Of which, the amount to be capitalized | 10,235 million yen  |
| 5) Method of offering                     | Third-party allotment   |
| 6) Use of funds                           | To be allocated to partially fund the acquisition of real estate for developing and holding new revenue-generating real estate properties |

## Investor Information

### Status of Share Price (from January 4, 2019 to April 30, 2020)



### Major Shareholders (as of March 31, 2021)

	Name	No. of shares owned	Ownership ratio (%)
1	Chubu Electric Power Co., Inc.	22,980,000	33.01
2	Nissei Build Kogyo Co., Ltd.	6,500,000	9.34
3	Tenma Seiryu Co., Ltd.	3,610,000	5.19
4	Koryu Oh	2,100,000	3.02
5	Custody Bank of Japan, Ltd. (Trust account)	2,062,800	2.96
6	The Master Trust Bank of Japan, Ltd. (Trust account)	2,013,500	2.89
7	Takatoshi Ito	1,208,400	1.74
8	Custody Bank of Japan, Ltd. (Trust account 5)	546,600	0.79
9	RE FUND 107-CLIENT AC	533,300	0.77
10	Keiko Akashi	531,000	0.76

(Notes) 1. ES-CON JAPAN owns 2,344,400 treasury shares but is excluded from the major shareholders above.

2. Ownership ratio is rounded down to the first decimal place.

3. As the payment of the third-party allotment was completed on April 5, 2021, the Chubu Electric Power Co., Inc. currently owns 51.54% of all outstanding shares.

## Notes for Investors

Fiscal year: January 1 to December 31

Securities code: 8892

Standard date for regular general meeting of shareholders: End of March

Standard date for submission of periodic securities report: End of March

Standard date for start of end-of-year dividend: December 31

The names of shareholders to be paid interim dividends shall be finalized on June 30 in the event they are to be paid.

Listing exchange: First tier, Tokyo Stock Exchange

Total number of shares issued and outstanding: 71,961,887 shares (as of March 31, 2021)

Total number of shareholders: 13,280 shareholders (as of March 31, 2021)

Share units: 100 shares

Institution managing the Shareholder Register Manager's Extraordinary Account:

Sumitomo Mitsui Trust & Banking, 1-4-1 Marunouchi, Chiyoda-ku, Tokyo

Contact: Transfer Agent Department, Sumitomo Mitsui Trust & Banking, 2-8-4 Izumi, Suginami-ku, Tokyo 168-0063

Toll-free: 0120-782-031 (Japan only)

Agency services are available at the main branch and all branches of Sumitomo Mitsui Trust & Banking nationwide.

Notification of address change, etc.:

Please notify the securities firm that holds your investment account. Shareholders who have extraordinary accounts because they do not have an account at the securities firm should contact Sumitomo Mitsui Trust & Banking, the account manager for extraordinary accounts.

Payment of unpaid dividends: Please notify Sumitomo Mitsui Trust & Banking, the shareholder register manager.

Announcement method: Electronic announcements (<https://www.es-conjapan.co.jp/>) (Japanese)

However, the announcement shall be made via Nihon Keizai Shimbun when an accident or other development makes announcement via electronic announcement impossible.

Shareholders who have owned shares in ES-CON JAPAN for at least one year since June 30 of each year and who own more than 1,000 shares are eligible to receive shareholder benefits.

### Disclaimer

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