

August 28, 2018

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**Notice on Business Partnership with Chubu Electric Power Co., Inc.
and Secondary Offering of Shares**

ES-CON Japan Ltd. (ES-CON Japan) announces that it resolved at its board of directors meeting held on August 28, 2018 to enter into a business partnership (hereinafter the “Business Partnership”) with Chubu Electric Power Co., Inc. (Securities Code: 9502) (hereinafter “Chubu Electric Power”).

I. Overview of Business Partnership

1. Purpose and Reason for Business Partnership

The corporate group (number of companies as of August 28, 2018, hereinafter “ES-CON Japan Group”), composed of ES-CON Japan, its three consolidated subsidiaries and an equity-method affiliate, primarily develops real estate leasing and real estate brokerage consulting businesses. Since its establishment in April 1995, it has focused on product planning and developed “Le JADE,” a for-sale condominium appealing to customers, mainly in the Tokyo metropolitan area and Kansai region and has expanded to various fields that include a commercial development business generating community-rooted value, a hotel development business responding to foreign tourist demand, logistics development and land readjustment projects, all through which it has established its position as a comprehensive developer. Currently, ES-CON Japan Group adheres to a customer-first philosophy based on its second mid-term management plan “IDEAL to REAL 2019” (three years from the fiscal year ended December 2017 to the fiscal year ending December 2019) and will continue to progress towards further evolution and growth as a company essential to society by fulfilling its mission as a “life developer.”

Amid continuous improvements in the employment and income environment, the business environment of the real estate industry to which ES-CON Japan Group belongs remains steady and strong with low interest rates due to monetary easing policies, yet ES-CON Japan Group recognizes that the future cannot be viewed optimistically with the rise in land prices, intensified competition for acquiring land, and other factors. Therefore, ES-CON Japan has not only formulated its own growth strategy but also has sought collaboration with partner companies whom it can work with together in real estate businesses.

On the other hand, Chubu Electric Power, the business partner, seeks to make the real estate business, which has an affinity with the energy business, a core business and contributing revenue base in its aim of becoming a corporate group with a consolidated ordinary income of more than 250 billion yen in the latter half of the 2020s as detailed in the “Chubu Electric Power Group Management Vision” established in March 2018.



The real estate business of Chubu Electric Power is currently implemented by Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”) and maintains superiority in the real estate business of the Chubu region. Chuden Real Estate aims to not only expand the scale and area of its businesses but also to make proactive efforts in businesses that contribute significantly to society such as urban development and regional revitalization businesses.

As a result of numerous discussions on the possibility of collaboration between ES-CON Japan and Chubu Electric Power in the real estate business, an agreement to form a business partnership is to be reached as generation of synergistic effects will become possible through utilization of the planning and business know-how on real estate business, which is a strength of ES-CON Japan, as well as the strengths of Chubu Electric Power Group in the supplying of energy, a customer base in the Chubu region and know-how on facility construction cultivated through the electric power business, all from which maximization of corporate value of both companies can be expected.

Furthermore, ES-CON Japan will continue to conduct autonomous operation as a listed company and improve corporate value after the formation of the business partnership.

2. Initiatives under Business Partnership

ES-CON Japan will focus on the following initiatives under the business partnership with Chubu Electric Power.

- (1) Initiatives on businesses contributing significantly to society such as urban development and regional revitalization businesses

Urban development by Chubu Electric Power Group and provision of a new community to local residents will become possible by utilizing ES-CON Japan’s planning and business know-how on real estate business and Chubu Electric Power’s deep relationship with local residents.

- (2) Enhancement of business base and improvement of corporate value through mutual complementation of business area and real estate business field.

Chubu Electric Power Group is involved in real estate leasing business mainly in the Chubu region while ES-CON Japan conducts sales business of for-sale condominiums and real estate for lease in the Tokyo metropolitan area, Kansai region and major cities in Fukuoka. Both companies are scheduled to jointly conduct real estate business as well as prioritize the supply of energy from Chubu Electric Power and facility construction for Chubu Electric Power Group regarding developed real estate by utilizing to the maximum extent the high complementarity in business area and real estate business field.

3. Overview of Business Partnership Agreement

- (1) Purpose

ES-CON Japan and Chubu Electric Power aim to maximize their corporate value by synergistically utilizing various know-how and advantages that have been cultivated until now and by promoting joint projects in real estate business under a smooth and prompt cooperative relationship.

- (2) Promotion of joint projects

Both companies will take the following measures for expanding the base of their customers and services and sharing business know-how and resources to further strengthen competitiveness in real estate business.

- ① ES-CON Japan and Chubu Electric Power will establish the Business Alliance Promotion Committee (tentative) and promptly conduct each measure to achieve the goal in the business partnership.
- ② With regard to energy supply and facility construction related to its development projects, ES-CON Japan will select Chubu Electric Power Group as the top candidate upon deciding the supplier.
- ③ ES-CON Japan and Chubu Electric Power will conduct joint research and joint implementation of businesses concerning next-generation smart houses / connected homes, etc.
- ④ ES-CON Japan will select Chuden Real Estate Co., Inc. of the Chubu Electric Power Group as the top candidate upon selecting the buyer of developed income properties which it owns.
- ⑤ Chubu Electric Power will select ES-CON Japan as the candidate for joint development upon considering effective utilization and development of idle land or infrequently used land of Chubu Electric Power Group.
- ⑥ With regard to its own developed properties, ES-CON Japan will consider the participation of Chuden Real Estate in joint businesses.
- ⑦ ES-CON Japan will strive to expand revenue of Chubu Electric Power Group's real estate business and provide continuous support to Chuden Real Estate for such expansion.
- ⑧ ES-CON Japan and Chubu Electric Power will proactively consider joint efforts in businesses contributing to the society such as urban development business.

(3) Personnel Exchange

ES-CON Japan will continuously exchange personnel and transfer necessary employees (about a few to 10 employees) to both companies depending on the business content in accordance with the content of the agreement reached through separate discussions to conduct the measures described in (2) above.

(4) Respect for Independence, etc.

ES-CON Japan and Chubu Electric Power shall mutually confirm their respect for ES-CON Japan's autonomous and agile management as a listed company unless presented with rational reasoning. In addition, Chubu Electric Power shall consider the interests of ES-CON Japan's minority shareholders and shall not mandate ES-CON Japan to conduct any transactions that may cause unreasonable disadvantages to such minority shareholders.

(5) Dispatch of Directors

In the case the total number of ES-CON Japan's candidate directors other than members of the auditing committee its upon submission of resolution to the General Meeting of Shareholders is 8, Chubu Electric Power will nominate a director for ES-CON Japan. In the case the total number of candidate directors other than members of the auditing committee upon its submission of resolution to the General Meeting of Shareholders has been changed from 8, Chubu Electric Power will hold the right to nominate the number of directors calculated by multiplying the number of candidate directors other than members of the auditing committee by the ratio of the voting rights on ES-CON Japan's outstanding shares held by Chubu Electric Power to the total voting rights of ES-CON Japan and dividing it by 1.

4. Acquisition of Shares of ES-CON Japan by Chubu Electric Power

Chubu Electric Power is scheduled to conclude the share transfer agreement with Kouryu Oh, the largest and major shareholder of ES-CON Japan, Tenma Seiryu Co., Ltd., a major shareholder of ES-CON Japan, and two other shareholders as of August 28, 2018 and acquire 22,980,000 ordinary shares of ES-CON Japan (hereinafter “ES-CON Japan’s Shares”) through a negotiation transaction outside the market (hereinafter the “Share Transfer”) (ratio to the total number of ES-CON Japan’s outstanding shares: 32.08%).

As a result, ES-CON Japan is scheduled to become an equity-method affiliate of Chubu Electric Power.

In addition, with the Share Transfer, a change in the largest and major shareholder, major shareholders and other affiliated companies of ES-CON Japan is expected. Therefore, please refer to the press release “Notice on Change in the Largest and Major Shareholder, Major Shareholders and Other Affiliated Companies” announced separately today.

5. Overview of Counterparty in Business Partnership (as of March 31, 2018)

| | | | |
|--|---|------------------------------|------------------------------|
| (1) Name | Chubu Electric Power Co., Inc. | | |
| (2) Address | 1 Toshin-cho, Higashi-ku, Nagoya-shi, Aichi Prefecture | | |
| (3) Title and name of representative | Satoru Katsuno, President & Representative Director | | |
| (4) Line of business | Electricity business and businesses incidental to it | | |
| (5) Capital | 430,777 million yen | | |
| (6) Establishment | May 1, 1951 | | |
| (7) Major shareholders and holding ratio (as of March 31, 2018) | Japan Trustee Services Bank, Ltd. 12.50% The Master Trust Bank of Japan, Ltd. 7.02% Meiji Yasuda Life Insurance Company 5.21% Nippon Life Insurance Company 3.46% Chubu Electric Employees Shareholders' Association 2.51% MUFG Bank, Ltd. 2.02% Sumitomo Mitsui Banking Corporation 1.97% STATE STREET BANK WEST CLIENT-TREATY 505234 1.54% (Standing proxy: Settlement & Clearing Services Department of Mizuho Bank, Ltd.) Mizuho Bank, Ltd. 1.40% BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1 1.39% (Standing proxy: MUFG Bank, Ltd.) | | |
| (8) Relationship with listed companies | Capital relationship | Not applicable | |
| | Personal relationship | Not applicable | |
| | Business relationship | Not applicable | |
| | Status of relationship with related parties | Not applicable | |
| (9) Consolidated management results and consolidated financial condition over the past three years | | | |
| Fiscal year | Fiscal year ended March 2016 | Fiscal year ended March 2017 | Fiscal year ended March 2018 |
| Consolidated net assets | 1,637,109 million yen | 1,724,713 million yen | 1,791,942 million yen |
| Consolidated total assets | 5,538,945 million yen | 5,412,307 million yen | 5,530,188 million yen |
| Consolidated net assets per share | 2,112.80 yen | 2,225.66 yen | 2,285.87 yen |
| Consolidated sales | 2,854,044 million yen | 2,603,537 million yen | 2,853,309 million yen |
| Consolidated operating income | 284,991 million yen | 136,443 million yen | 136,505 million yen |
| Consolidated ordinary income | 255,610 million yen | 121,483 million yen | 128,532 million yen |
| Profit attributable to owners of parent | 169,745 million yen | 114,665 million yen | 74,372 million yen |
| Basic earnings per share | 224.15 yen | 151.43 yen | 98.24 yen |
| Dividends per share | 25.00 yen | 30.00 yen | 35.00 yen |

6. Schedule

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| (1) Resolution date by the Board of Directors | August 28, 2018 |
| (2) Date of conclusion of business partnership agreement | August 28, 2018 |
| (3) Date of conclusion of share transfer agreement | August 28, 2018 |
| (4) Acquisition date by Chubu Electric Power | September 7, 2018 (planned) |

7. Future Outlook

The impact on the consolidated financial results of ES-CON Japan is currently under review and will be announced immediately when there are any matters to be disclosed in the future.

II. Secondary Offering of Shares of ES-CON Japan

1. Outline of Secondary Offering

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| (1) Number of shares to be offered | Ordinary shares of ES-CON Japan 22,980,000 shares (planned) |
| (2) Offer price | 1,150 yen per share (offer price is determined after having discussions with related parties) |
| (3) Total offer price | 26,427,000,000 yen (amount calculated by multiplying the number of shares to be offered by the offer price) |
| (4) Owners and number of shares to be offered | Kouryu Oh 8,500,000 shares (planned) Tenma Seiryu Co., Ltd. 5,390,000 shares (planned) Sanai Housing Co., Ltd. 6,090,000 shares (planned) Seiryu Asset Management Co., Ltd. 3,000,000 shares (planned) |
| (5) Offering method | Transfer of ordinary shares of ES-CON Japan to Chubu Electric Power Co., Inc. by Kouryu Oh, Tenma Seiryu Co., Ltd., Sanai Housing Co., Ltd. and Seiryu Asset Management Co., Ltd. |
| (6) Subscription date | August 28, 2018 |
| (7) Delivery date | September 7, 2018 (planned) |
| (8) Advance on subscription | Not applicable |
| (9) Unit of shares to be subscribed | 100 shares |
| (10) Other | As for the above items, a securities notice based on the Financial Instruments and Exchange Act has been submitted. |

2. Purpose of Secondary Offering

In relation to the conclusion of the business partnership agreement between ES-CON Japan and Chubu Electric Power, ES-CON Japan aims to transfer shares through secondary offering as a procedure defined in related laws and regulations since an agreement to transfer the shares of ES-CON Japan through a negotiation transaction outside the market is expected to be reached between Chubu Electric Power and Kouryu Oh, Tenma Seiryu Co., Ltd., Sanai Housing Co., Ltd. and Seiryu Asset Management Co., Ltd.