

February 24, 2021

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Notice of Issue of New Shares through Third-Party Allocation, Partial Amendment of Articles of Association, (Planned) Change in Parent Company, and Conclusion of Agreement on a Capital and Business Partnership with Chubu Electric Power Co., Inc.

On August 28, 2018, ES-CON Japan Ltd. (ES-CON Japan) concluded an agreement on a capital and business partnership with Chubu Electric Power Co., Inc. ("recipient of allotment" or "Chubu Electric Power" hereinafter). ES-CON Japan announced the passing of a resolution at today's board of directors meeting; the resolution concludes a new agreement on a capital and business partnership with Chubu Electric Power ("business partnership agreement" hereinafter; the capital and business partnership based on this agreement referred to as "business partnership" hereinafter) and an issue of new shares through third-party allotment to Chubu Electric Power ("capital increase by third-party allotment" hereinafter), and agrees to submit to the 26th Ordinary General Meeting of Shareholders of ES-CON Japan, scheduled for March 26, 2021 ("General Meeting of Shareholders" hereinafter), the following matters: (i) proposal on this capital increase by third-party allotment of shares; (ii) proposal on the partial amendment of the Articles of Association to increase the authorized number of shares necessary to implement this third-party allotment. Proposals (i) and (ii) shall be referred to collectively hereinafter as "proposals related to this capital increase by third-party allotment," as outlined below. Among other goals, these measures seek to strengthen joint efforts between the two companies.

In addition, ES-CON Japan's parent company is expected to change as a result of this capital increase by third-party allotment.

I. Issue of new shares through third-party allotment

1. Details of public offering

(1) Deadline for payment	April 5, 2021
(2) Number of new shares to be offered	26,619,000 shares of common stock
(3) Paid-in amount	769 yen per share
(4) Total paid-in amount	20,470,011,000 yen
(5) Method of offering or allotment (recipient of allotment)	Third-party allotment (Chubu Electric Power Co., Inc.)
(6) Other matters	The pay-in of funds outlined by each of the items above is conditional on the validity of the securities notification under the Financial Instruments and Exchange Act; the lawful and valid receipt by the Japan Fair Trade Commission of the notification stipulated in Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947 and subsequent amendments); the passage of 30 days (or shortened period if said period is shortened by the Japan Fair Trade Commission under the proviso to Article 10, Paragraph 8 of that Act) from the date of receipt of such notification; approval at the General Meeting of Shareholders of proposals related to this capital increase by third-party allotment; and satisfying the preconditions stipulated in the business partnership agreement.

2. Reasons for this public offering of shares through third-party allotment

As a general developer of multifaceted real estate projects, ES-CON JAPAN focus on condominium development. Other activities encompass retail, logistics, and hotel development, as well as land readjustment. We strive to realize the following Management Policy: (i) We will use our information networks, planning ability and product development expertise to tap the unlimited potential of real estate and create new value that thoroughly satisfies our clients; (ii) We will rely on our strong defense of operations management revolving around ROA and thorough management of cashflow and risk to achieve a strong offense in management that is always one step ahead; (iii) We will become an elite team of professionals with an unchanging ability to swiftly and deftly respond to a rapidly-changing society; (iv) We will always show respect and gratitude to our colleagues, whether inside or outside of the company, and build and maintain excellent collaborative relations; and (v) We will prioritize compliance and governance, bolstering our internal auditing system, and form an organization with great bottom-up communication.

Effective August 28, 2018, based on the judgment that leveraging strengths in real estate planning and business know-how, combined with the strengths of the Chubu Electric Power Group (as of December 31, 2020, consisting of 38 subsidiaries and 48 affiliate companies, in addition to Chubu Electric Power; "Chubu Electric Power Group" hereinafter), including its energy supply networks, customer base in the Chubu region, and facility construction know-how accumulated through years of activity in the electric power business, can reasonably be expected to generate various synergies and maximize the corporate value of both companies, we concluded an agreement on a capital and business joint venture with and became an equity-method affiliate of Chubu Electric Power. Since then, the real estate industry has grown steadily, as reflected in the growth of our assets and financial results on a consolidated basis from total assets of 109,747 million yen, net assets of 27,359 million yen, and net sales of 54,325 million yen in the term ended December 2018 to total assets of 132,696 million yen (up 22,949 million yen year on year), net assets of 33,546 million yen (up 6,187 million yen year on year), and net sales of 72,106 million yen (up 17,781 million yen year on year) in the term ended December 2019 and total assets of 149,423 million yen (up 16,727 million yen year on year), net assets of 38,627 million yen (up 5,081 million yen year on year), and net sales of 77,308 million yen (up 5,202 million yen year on year) in the term ended December 2020. In March 2019, based on our view that the Chubu region is an important business territory, together with the greater Tokyo region and the Kansai region, we opened the Nagoya Branch and began joint condominium and product development businesses with the Chubu Electric Power Group. Since acquiring a condominium site in June 2019 located in Higashi Ward, Nagoya, as part of a joint project with Chuden Real Estate, a subsidiary of Chubu Electric Power, we acquired another condominium site in Higashi Ward, Nagoya, in September 2019; a commercially zoned site in Suita, Osaka Prefecture, in March 2020; and a commercially zoned site in Ichinomiya, Aichi Prefecture, in August 2020. Plans call for sales of condominiums constructed on the sites acquired in Higashi Ward, Nagoya, to begin from 2021-2022. In August 2020, we launched the Group's first condominium development project in Shizuoka Prefecture on a site operated by the Group as a parking lot since 2016. In these and other ways, synergies with Chubu Electric Power are emerging and gathering strengthen in various joint efforts.

However, the COVID-19 pandemic affecting not just Japan but the entire world has led to large-scale constraints on economic activities and dramatic changes in social and economic conditions. These conditions compelled us to revise the timing of the sale of the hotel projects and led to a gap in the timing of sales of various logistics sites. As a result, on December 22, 2020, reflecting expectations of decreased earnings, we announced revisions to the consolidated net sales of 86,000 million yen in planned consolidated financial results for the period ended December 2020 and previously announced on January 30, 2020.

Even under such business conditions, consolidated net sales in the period ended December 2020 grew 5,202 million yen to 77,308 million yen, up from the figure of 72,106 million yen in the period ended December 2019. The impact of COVID-19 on our business proved relatively light compared to initial expectations. For this reason, ES-CON JAPAN see this as an excellent opportunity to advance further business growth and to stabilize management foundations, based on medium- to long-term management strategies. We have identified the following two points as basic management strategy policies:

- (i) Establishing business foundations capable of withstanding unexpected changes in economic conditions
 - Establishing solid business and financial standings capable of maintaining fundraising means under any economic conditions

- (ii) Simultaneously transforming the revenue structure and expanding business domains
 - Transforming the revenue structure from one based on flows to one based on stock by growing the real estate leasing business while realizing business diversification and expansion of business territories

Based on the repeated consideration of various options and seeking the most effective means of realizing the two points above in medium- to long-term management strategies, we have chosen to implement this public offering of shares through third-party allotment. This decision is based on the assessment that becoming a consolidated subsidiary of Chubu Electric Power, which boasts strong corporate credit standing, through issue of shares of ES-CON JAPAN common stock (“common stock” hereinafter) through third-party allotment with Chubu Electric Power as the planned recipient (“capital increase through third party allotment” hereinafter) will allow diversification of fundraising methods and reduce fundraising costs by improving our creditworthiness. The move will also enable participation in large-scale urban-development projects through further business partnerships with the Chubu Electric Power Group. This will provide increased access to real estate information and, by extension, make it possible for us to increase our corporate value still further by increasing earnings potential and enhancing management stability.

As described under “3. Amount, purpose of use, and planned timing of investment of funds raised: (2) Specific purpose of use of funds raised” below, ES-CON Japan recognizes the need to strengthen its financial standing through equity capital enhancements, with the goal of transforming its earning structure to drive growth and stabilize management under “IDEAL to REAL 2023,” the new medium-term management plan covering the period from the fiscal year ending December 31, 2021 through the period ending December 31, 2023, as announced on February 24, 2021 (“Fourth Medium-term Management Plan” hereinafter). While ES-CON Japan had considered raising funds through borrowing from financial institutions or issue of corporate bonds, these methods would not enhance equity capital; the method of increasing capital through a public offering could destabilize the shareholder structure and would not enable other business partnerships with Chubu Electric Power or take advantage of its strong credit. Based on comprehensive consideration of these factors, the decision was made that this capital increase by third-party allotment would be the most effective method, from ES-CON Japan’s point of view, to increase its corporate value by achieving both stabilization of management and increased earnings opportunities.

Plans call for Chubu Electric Power to shift from the status of an other affiliate to that of a parent company of ES-CON Japan if this capital increase by third-party allotment is carried out. In such event, Chubu Electric Power would hold 51.54% (rounded to two decimal points) of voting rights of all ES-CON Japan shareholders. For this reason, Chubu Electric Power qualifies as a specified subscriber under Article 206-2, Paragraph 1 of the Companies Act of Japan.

In the meeting of the board of directors of ES-CON Japan held February 24, 2021, the three Directors (Auditor Directors) of ES-CON Japan (all three of whom are outside Directors and two of whom are independent Directors) issued the opinion summarized below concerning the purposes, conditions of issue, number of shares to be issued, and other matters related to this capital increase by third-party allotment.

As described above, this capital increase by third-party allotment is intended to achieve the goals of growing ES-CON Japan’s profitability and strengthening its management stability by promoting business partnerships with the recipient of allotment. These goals are considered reasonable. In addition, the conditions of issue and number of shares to be issued are considered reasonable in light of the fact that they have been determined based on sustained consultations and negotiations with the recipient of allotment based on the related objectives; the issue price conforms to the Japan Securities Dealers Association’s Guidelines on Handling of Capital Increases through Third-party Allotment and does not qualify as a particularly advantageous issue price. Furthermore, among other factors, since plans call for obtaining the approval of the General Meeting of Shareholders for the conditions of issue of this capital increase by third-party allotment and since other procedures required under laws and regulations are already underway, no serious breach of laws or regulations has been identified with regard to the Directors’ judgment regarding implementation of this capital increase by third-party allotment.

No outside Director is of an opinion diverging from the decision of the ES-CON Japan board of directors.

3. Amount, purpose of use, and planned timing of investment of funds raised

(1) Amount of funds raised

(i) Total pay-in amount	20,470,011,000 yen
(ii) Rough estimate of costs of issue	100,000,000 yen
(iii) Rough estimate of amount received after deduction of costs	20,370,011,000 yen

- Notes:
1. The rough estimate of costs of issue does not include consumption tax.
 2. The rough estimate of costs of issue is expected to include costs such as financial advisors' (FA) fees, attorneys' fees, cost of preparation of securities notification, and costs related to registration

(2) Specific purpose of use of funds raised

Plans call for a rough estimate of amount received after deduction of costs of 20,370 million yen above to be allocated to cover a portion of the cost of acquisition of real estate for the development of new revenue-generating real estate and holding in ownership, as summarized below.

The funds raised will be managed in ES-CON Japan's bank accounts until their actual investment.

As a basic policy for establishing business foundations able to withstand unexpected changes in economic conditions, as called for in the Fourth Medium-term Management Plan, ES-CON Japan is seeking to transition from an earnings foundation focused on flow revenues to one focused on stock revenues. To do so, it has set numerical targets for the period of the Medium-term Management Plan through FY2023 of increasing the share of segment profits from the real estate leasing business as part of total business segment revenues from the real estate sales, real estate leasing, and real estate planning, brokering, and consulting business segments from its FY2020 level of 14.2% to 26% or higher by FY2023, and of increasing ES-CON Japan's consolidated net sales from the actual result of 77.3 billion yen in FY2020 to 110 billion yen in FY2023.

Funds raised through this capital increase by third-party allotment will be allocated to a portion of the funding for the real estate business based on the following expenditure plans to achieve the goals of the Fourth Medium-term Management Plan.

Specific uses	Amount (millions yen)	Planned timing of investment	Fund-raising method
(i) Purchase and development of revenue-generating real estate	30,000	March – December 2021	Capital increase, loans, and funds on hand
(ii) Purchase and development of revenue-generating real estate	40,000	January – December 2022	Capital increase, loans, and funds on hand
(iii) Purchase and development of revenue-generating real estate	60,000	January – December 2023	Capital increase, loans, and funds on hand

Planned subjects of business investment are developments related to multipurpose developments combining retail facilities, land zoned for retail development, rental residences, logistics facilities, and condominiums and real estate intended to be held in ownership. As of the end of January 2021, the following specific projects are planned:

Project	Location	Use	Planned timing of investment	Amount (million yen)
Hyogo Tojo II	Kato, Hyogo Prefecture	Logistics warehouse (28,000 square meters total floor area)	Construction planned to begin in April 2021	4,000
Koga Gemboen	Koga, Fukuoka Prefecture	Logistics warehouse (56,000 square meters total floor area)	Construction planned to begin in May 2021	7,000
Hokkaido Ballpark	Kitahiroshima, Hokkaido	Multipurpose development (residential, commercial)	Acquisition of land planned to take place during FY2021	7,500
JR Kitahiroshima Station West Area Vitalization Project	Kitahiroshima, Hokkaido	Multipurpose development (residential, commercial)	Acquisition of land planned to take place during FY2021	20,000
Fujishirodai 5-chome, Suita	Suita, Osaka Prefecture	Multipurpose development (residential, commercial)	Construction planned to begin during FY2023	17,000

4. Rationale concerning the reasonability of the uses of funds

ES-CON Japan intends to use the funds raised through this capital increase by third-party allotment to increase its corporate value through the further growth of the ES-CON Japan Group and to achieve profitability, as described under "3. Amount, purpose of use, and planned timing of investment of funds raised: (2) Specific purpose of use of funds raised" above. Thus, these funds will also contribute to the medium- to long-term interests of existing shareholders. In addition, as described under "2. Reasons for this public offering of shares through third-party allotment" above, ES-CON Japan intends to grow its profitability and to strengthen management stability by promoting business partnerships with Chubu Electric Power. For these reasons, the purposes of use of funds raised through this capital increase by third-party allotment are judged to be reasonable. See the Fourth Medium-term Management Plan, announced today, for more information on the further growth of the ES-CON Japan Group and securing of profitability.

5. Reasonability of conditions of issue, etc.

(1) Grounds for calculating the issue price and other specifics

We have chosen as the issue price of this capital increase through third party allotment ("issue price" hereinafter) 769 yen, the closing price of shares of ES-CON JAPAN common stock at the Tokyo Stock Exchange on the business date (February 22, 2021) immediately preceding the date of the resolution of the board of directors concerning this capital increase through third party allotment ("date of board of directors resolution" hereinafter). The closing price on the business day immediately preceding the board of directors resolution was chosen because we deem the most recent share price to accurately reflect ES-CON JAPAN's objective corporate value. This issue price of 769 yen reflects a premium of 0.13% vs. the average closing price of 768 yen (average prices hereinafter are rounded to the nearest whole number) over the one-month period (January 25 – February 22, 2021) through the business day immediately preceding the date of the board of directors resolution, a discount of 7.35% vs. the average closing price of 830 yen over the three-month period (November 24, 2020 – February 22, 2021) through the business day immediately preceding the date of the board of directors resolution, and a discount of 9.53% vs. the average closing price of 850 yen over the six-month period (August 24, 2020 – February 22, 2021) through the business day immediately preceding the date of the board of directors resolution. This issue price conforms to the Guidelines on Handling of Capital Increases Through Third-party Allotment established by the Japan Securities Dealers Association. ES-CON JAPAN deems that this does not constitute a particularly advantageous issue price. The board of directors resolution on this capital increase through third-party allotment was unanimously approved by the directors. In addition, External Director (Full-Time Auditor Director) Masayoshi Nishitake and independent External Directors (Auditors) Hiroto Mizobata and Tadashi Fukuda have all three stated the view that since the paid-in amount of this capital increase through third-party allotment is based on market prices that objectively indicate the value of ES-CON JAPAN common stock and accounts for recommendations under the Guidelines on Handling of Capital Increases Through Third-party

Allotment established by the Japan Securities Dealers Association, the action is legal and does not constitute an inappropriately advantageous issue price.

- (2) Grounds for determining that the number of shares to be issued and scale of dilution of shares is reasonable

Plans call for a number of 26,619,000 shares (266,190 voting rights) to be issued in this capital increase through third-party allotment, resulting in dilution at a rate of 38.24% vs. the 69,617,487 shares as of December 31, 2020 resulting from subtracting from the total number of shares issued and outstanding of 71,961,887 shares the number of 2,344,400 shares of treasury stock (38.24% vs. the 696,072 voting rights on the 69,607,200 shares as of December 31, 2020 after subtracting from the total number of shares issued and outstanding of 71,961,887 shares the number of 2,344,400 shares of treasury stock and 10,287 shares in less than the minimum trading unit as of that date).

However, since, as described under "2. Reasons for this public offering of shares through third-party allotment" above, this capital increase through third-party allotment is intended to grow ES-CON JAPAN's earnings potential and strengthen management capabilities by promoting joint ventures with the planned recipient of the allotment; allocation of the funds raised through this capital increase through third-party allotment to the purpose of use described under "3. Amount, purpose of use, and planned timing of investment of funds raised: (2) Specific purpose of use of funds raised" can be expected to contribute to the interests of existing shareholders over the medium to long term by increasing

ES-CON JAPAN's corporate value through sustained growth of the Group and profitability; since the number of shares to be issued is based on consultations and negotiations with the planned recipient of the allotment based on the purposes thereof; and, in addition, as described under "6. Grounds for selection of recipient of allotment, etc.: (3) Holding policy of the recipient of allotment" below, it is the policy of the planned recipient of the allotment to continue to hold the shares acquired for the medium to long term and is expected to be a stable shareholder, it has been judged that both the quantity of shares to be issued and the scale of the dilution of shares are reasonable.

6. Grounds for selection of recipient of allotment, etc.

- (1) Overview of the recipient of allotment (as of March 31, 2020)

(1) Name	Chubu Electric Power Co., Inc.	
(2) Address	1 Higashi-shincho, Higashi-ku, Nagoya-shi, Aichi Prefecture	
(3) Title and name of representative	Kingo Hayashi, President & Representative Director	
(4) Lines of business	Electricity business and businesses incidental to the electricity business	
(5) Capital	430,777 million yen	
(6) Established	May 1, 1951	
(7) Total shares issued and outstanding	758,000,000	
(8) Fiscal year ends	March 31	
(9) Employees	28,448 (consolidated)	
(10) Main customers	Consumers, corporate customers, etc.	
(11) Main banks	MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd.	
(12) Main shareholders and their percentages of shares held (as of September 30, 2020)	Custody Bank of Japan, Ltd.	13.33%
	The Master Trust Bank of Japan, Ltd.	9.12%
	Meiji Yasuda Life Insurance Company	5.22%
	Nippon Life Insurance Company	3.10%

	Chubu Electric Employees' Shareholders Association	2.57%
	MUFJ Bank, Ltd.	1.77%
	Sumitomo Mitsui Banking Corporation	1.58%
	JP MORGAN CHASE BANK 385781 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank)	1.51%
	Mizuho Bank, Ltd.	1.40%
	STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Settlement & Clearing Services Dept., Mizuho Bank)	1.19%

(13) Relationships between the parties

Capital relationship	As of February 24, 2021, the planned recipient of the allotment, with holdings of 22,980,000 shares, is ES-CON JAPAN's largest shareholder.
Personal relationship	In March 2019, the planned recipient of the allotment dispatched one director to ES-CON JAPAN. In addition, since April 2019, two employees of ES-CON JAPAN have been seconded to the planned recipient of the allotment.
Business relationship	ES-CON JAPAN concluded an agreement on a capital and business joint venture with the planned recipient of the allotment effective August 28, 2018.
Related party status	The planned recipient of the allotment is a related party and ES-CON JAPAN's largest shareholder, accounting for 33.01% of total shares issued and outstanding (not including treasury stock).

(14) Business results and financial condition over three most recent years

* Unit: millions yen (except as specified otherwise)

Fiscal period	FY ended March 2018	FY ended March 2019	FY ended March 2020
Consolidated net assets	1,791,942	1,844,362	1,962,065
Consolidated gross assets	5,529,408	5,987,526	5,500,815
Consolidated net assets per share (yen)	2,285.87	2,350.52	2,504.68
Consolidated net sales	2,853,309	3,035,082	3,065,954
Consolidated operating income	136,505	125,924	130,832
Consolidated ordinary income	128,532	112,929	191,803
Profit attributable to owners of the parent	74,372	79,422	163,472
Consolidated profit per share (yen)	98.24	104.96	216.11
Dividends per share (yen)	35.00	45.00	50.00

Note: Shares of the recipient of allotment, Chubu Electric Power, are traded on the First Section of the Tokyo Stock Exchange. It has been determined through confirmation of the "Basic concept on exclusion of antisocial forces, and state of maintenance thereof" under "Systems related to internal controls etc." in the "Corporate Governance Report" submitted by Chubu Electric Power to the Tokyo Stock Exchange on November 16, 2020 that the recipient of allotment and its executives have no ties to antisocial forces.

(2) Grounds for selection of recipient of allotment

See "2. Reasons for this public offering of shares through third-party allotment," above.

(3) Holding policy of the planned recipient of allotment

ES-CON JAPAN has concluded an agreement on a capital and business joint venture with the planned recipient of the allotment as a medium- to long-term partner. This capital increase through third-party allotment is intended to further strengthen the partnership between the two companies. Accordingly, it has been confirmed by spoken agreement that the policy of the planned recipient of the allotment is to continue to hold the shares acquired for the medium to long term.

ES-CON JAPAN also plans to obtain a written pledge from the planned recipient of the allotment consenting to report on the details thereof in writing if it sells all or part of the shares acquired through this capital increase through third-party allotment within two years from the pay-in date. These reports will be submitted to the Tokyo Stock Exchange and made available for public viewing.

(4) Details of confirmation of the state of assets of the recipient of allotment necessary for pay-in

ES-CON Japan has received from the recipient of allotment a report stating that it possesses the funds needed to pay the total pay-in amount of this capital increase by third-party allotment. In addition, it has been confirmed that the recipient of allotment has sufficient funding as necessary for pay-in under this capital increase by third-party allotment through confirmation and comprehensive consideration of matters such as the recipient of allotment's operating revenues, assets, capital, and cash and cash equivalents through the consolidated financial statements presented in its financial reports for the third quarter of the fiscal year ending March 30, 2021 (October 1 – December 31, 2020), released by the recipient of allotment on February 5, 2021.

7. Main shareholders and their percentages of shares held after this issue

Before this issue (as of December 31, 2020)	After this issue
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. (account in trust) 3.57%	The Master Trust Bank of Japan, Ltd. (account in trust) 2.59%
Custody Bank of Japan, Ltd. (account in trust) 3.14%	Custody Bank of Japan, Ltd. (account in trust) 2.27%
Koryu Oh 3.02%	Koryu Oh 2.18%
Takatoshi Ito 1.73%	Takatoshi Ito 1.25%
Custody Bank of Japan, Ltd. (account in trust 5) 0.81%	Custody Bank of Japan, Ltd. (account in trust 5) 0.59%
Keiko Akashi 0.76%	Keiko Akashi 0.55%
Custody Bank of Japan, Ltd. (account in trust 6) 0.74%	Custody Bank of Japan, Ltd. (account in trust 6) 0.53%

- Notes:
1. The composition of main shareholders before this issue is based on the shareholder register as of December 31, 2020.
 2. Percentages of shares held are rounded to the second decimal point.
 3. Percentages of shares held after this 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). Percentages of shares held by shareholders other than Chubu Electric Power assume no change in shareholdings since December 31, 2020.

8. Future outlook

As described under "I. Issue of New Shares through Third-party Allotment: 3. Amount, purpose of use, and planned timing of investment of funds raised: (2) Specific purpose of use of funds raised," ES-CON Japan today announced its Fourth Medium-term Management Plan. This Fourth Medium-term Management Plan is premised on the execution of this capital increase by third-party allotment and business partnership. For more information on the future outlook, please refer to the news release "Notice of Formulation of the Fourth Medium-term Management Plan, "IDEAL to REAL 2023"" issued today.

9. Matters related to procedures under the Corporate Code of Conduct

The prospective number of shares of stock to be issued under this capital increase by third-party allotment is 26,619,000 shares (266,190 voting rights). This will result in a dilution of 36.99% vs. the total number of 71,961,887 shares issued and outstanding as of December 31, 2020 (38.24% vs. voting rights [696,072 voting rights] on the total of 69,607,200 shares obtained by subtracting from the total number 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). In addition, upon the completion of this capital increase by third-party allotment, the recipient of allotment, Chubu Electric Power, will own 51.54% of voting rights, resulting in a transition from status of ES-CON Japan other affiliate to parent company.

Accordingly, since this capital increase by third-party allotment qualifies as a large-scale third-party allotment under the provisions of the Notes (23-6) to Form No. 2 of the Cabinet Office Order on Corporate Disclosure; and since implementation of this capital increase by third-party allotment is expected to change the majority shareholder of ES-CON Japan, making the recipient of allotment, Chubu Electric Power, ES-CON Japan's majority shareholder, the requirements for third-party allotment stipulated in Article 432 of the rules for listed forms of the Tokyo Stock Exchange apply to this capital increase by third-party allotment, requiring either "obtaining the opinion of a party with a degree of independence from management concerning the necessity and propriety of the allotment" under Paragraph 1 of that article or "confirmation of shareholder intentions through means such as a resolution of the General Meeting of Shareholders regarding the allotment" under Paragraph 2 of that article. For this reason, ES-CON Japan plans to confirm shareholder intentions by seeking shareholder approval for proposals related to this capital increase by third-party allotment in the General Meeting of Shareholders. In addition, although in this capital increase by third-party allotment, Chubu Electric Power, the recipient of allotment, qualifies as a specified subscriber under the provisions of Article 206-2, Paragraph 1 of the Companies Act, and approval of a General Meeting of Shareholders is required if shareholders holding at least 10% of all shareholder voting rights submit notice of opposition to subscription by a specified subscriber (Article 206-2, Paragraph 4 of the Companies Act), in light of the importance of this capital increase by third-party allotment, ES-CON Japan plans to submit the proposals related to this capital increase by third-party allotment to the Ordinary General Meeting of Shareholders, whether or not such notice of opposition is submitted.

10. Business results and equity finance during three most recent years

(1) Business results (consolidated) during three most recent years

* Unit: millions yen (except as specified otherwise)

	FY ended December 2018	FY ended December 2019	FY ended December 2020
Consolidated net sales	54,325	72,106	77,308
Consolidated operating income	11,561	12,912	12,202
Consolidated ordinary income	10,498	11,810	11,164
Profit attributable to owners of the parent	7,226	8,155	7,663
Consolidated profit per share (yen)	105.98	119.17	111.94
Dividends per share (yen)	32.00	36.00	38.00
Consolidated net assets per share (yen)	400.47	490.08	563.07

(2) Status of total shares issued and outstanding and dilutive shares at this time (as of December 31, 2020)

	Shares	Percentage of shares issued and outstanding
Shares issued and outstanding	71,961,887 shares	100.00%
Dilutive shares at current conversion price (exercise price)	1,244,500 shares	1.73%
Dilutive shares at minimum conversion price (exercise price)	- shares	-%
Dilutive shares at maximum conversion price (exercise price)	- shares	-%

(3) Recent stock price conditions

(i) Conditions in most recent three years

	FY ended December 2018	FY ended December 2019	FY ended December 2020
Opening price	665 yen	635 yen	928 yen
High	1,063 yen	1,025 yen	1,002 yen
Low	612 yen	634 yen	500 yen
Closing price	646 yen	937 yen	816 yen

(ii) Conditions in most recent six months

	September 2020	October 2020	November 2020	December 2020	January 2021	February 2021
Opening price	759 yen	870 yen	849 yen	920 yen	823 yen	726 yen
High	892 yen	1,002 yen	947 yen	930 yen	827 yen	797 yen
Low	746 yen	834 yen	844 yen	805 yen	732 yen	721 yen
Closing price	867 yen	845 yen	922 yen	816 yen	732 yen	769 yen

Note: The share price for February 2021 above is the price as of February 22, 2021.

(iii) Share price on the business day immediately preceding the date of the resolution on issue

	February 22, 2021
Opening price	768 yen
High	777 yen
Low	763 yen
Closing price	769 yen

(4) Conditions of equity financing over most recent three years

- (i) Disposal of treasury stock by third-party allotment related to adoption of performance-based stock reward system

Date of disposal	May 14, 2020
Amount of funds raised	207,240,000 yen (rough estimate of amount received after deduction of costs)
Disposal price	628 yen
Total shares issued and outstanding at time of disposal	71,841,887 shares
Total shares disposed of	330,000 shares
Total shares issued and outstanding after disposal	71,841,887 shares
Recipient of allotment	Japan Trustee Services Bank, Ltd. (account in trust)
Initial use of funds at time of disposal	Allotment to working capital
Planned time of investment at time of disposal	May 14, 2020
State of allocation at this time	Full amount allotted

Note: Effective July 27, 2020, Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. to form Custody Bank of Japan, Ltd.

II. Partial amendment of the Articles of Association to increase the authorized number of shares

1. Purpose of amendment

To increase the authorized number of shares under Article 6 (Authorized Number of Shares to be Issued) of the current Articles of Association within a range not to exceed four times the total number of shares issued and outstanding of ES-CON Japan stock at the time the amendment to the Articles of Association would take effect (71,961,887 shares), pursuant to Article 113, Paragraph 3 of the Companies Act, in order to enable the issue of new shares through this capital increase by third-party allotment ("amendment of the Articles of Association" hereinafter).

2. Specifics of amendment to the Articles of Association

The specifics of the amendment to the Articles of Association are as follows.

(Underlined passages indicate changes.)

Current Articles of Association	Proposed amendment
Article 6. Authorized Number of Shares to be Issued The authorized number of shares to be issued by ES-CON JAPAN shall be <u>72,000,000</u> shares.	Article 6. Authorized Number of Shares to be Issued The authorized number of shares to be issued by ES-CON JAPAN shall be <u>99,000,000</u> shares.

3. Schedule

The proposed schedule of this amendment of the Articles of Association is as follows.

Date of resolution by board of directors:	February 24, 2021
Date of General Meeting of Shareholders:	March 26, 2021 (planned)
Effective date of amendment of the Articles of Association:	March 26, 2021 (planned)

III. Change to parent company and other affiliates (planned)

1. Background of this change

This capital increase by third-party allotment is expected to affect ES-CON Japan's parent company, as outlined below.

2. Overview of shareholders subject to change

An overview of the shareholder subject to this change is provided under "I. Issue of New Shares through Third-party Allotment: 6. Grounds for Selection of the Recipient of Allotment, etc.: (1) Overview of the Recipient of Allotment," above.

3. Number of voting rights held by the recipient of allotment and percentage of total shareholder voting rights held before and after this change

Shareholder positioned to become the new parent company

Name: Chubu Electric Power Co., Inc.

	Status	Voting rights (percentage of total voting rights)		
		Directly owned	Subject to totaling	Total
Before (as of February 24, 2021)	Other affiliate	229,800 voting rights (33.01%)	- voting rights (-%)	229,800 voting rights (33.01%)
After	Parent company	495,990 voting rights (51.54%)	- voting rights (-%)	495,990 voting rights (51.54%)

Notes: 1. The percentage of voting rights held before this change is 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.

2. The percentage of voting rights held before this change is calculated by adding to the number of voting rights held before this change (696,072 voting rights) the increase in the number of voting rights resulting from this capital increase by third-party allotment (266,190 voting rights).

3. Percentages of voting rights held before and after this change are rounded to two decimal places.

4. Planned date of change

April 5, 2021

5. Change in unlisted parent company subject to disclosure

Not applicable

6. Future prospects

Chubu Electric Power's policy on holding of these shares is as described under "I. Issue of new shares through third-party allotment: 6. Grounds for selection of the recipient of allotment, etc.: (3) Holding policy of the recipient of allotment," above.

IV. Overview of the capital and business joint venture

An overview of the business partnership is provided below. Upon the conclusion of the business partnership agreement, the business partnership agreement concluded August 28, 2018 with Chubu Electric Power shall be invalidated.

1. Details of the business tie-up

(1) Details of business partnership

In the agreement on the capital and business joint venture concluded between ES-CON JAPAN and Chubu Electric Power on February 24, 2021, both companies agree to a business joint venture based on the following major points 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 ES-CON JAPAN and Chubu Electric Power to discuss details of this business joint venture following the conclusion of the agreement on the capital and business joint venture.

(2) Details of capital tie-up

As described above, ES-CON Japan will allot shares of common stock in ES-CON Japan to Chubu Electric Power, as the recipient, through the issue of new shares through this capital increase through third-party allotment.

2. Overview of the partner

An overview of the partner is provided under “I. Issue of new shares through third-party allotment: 6. Grounds for selection of the recipient of allotment, etc.: (1) Overview of the recipient of allotment,” above.

3. Future outlook

The future outlook is as described under “I. Issue of new shares through third-party allotment: 8. Future outlook,” above.

(Annex)

ES-CON Japan Ltd. Outline of Issue of Common Stock

1. Type of shares to be issued
Common stock
2. Number of shares to be issued
26,619,000 shares
3. Pay-in amount on shares to be issued
769 yen per share
4. Total pay-in amount
20,470,011,000 yen
5. Method of investment
Intended for investment of monetary funds
6. Pay-in date
April 5, 2021
7. Matters related to increases in capital and capital reserves
The amount of the increase in capital shall be 10,235,005,500 yen (384.5 yen per share). The amount of the increase in capital reserves shall be 10,235,005,500 yen (384.5 yen per share).
8. Method of offering or allotment
Third-party allotment
9. Recipient of allotment and number of shares to be allotted
Chubu Electric Power: 26,619,000 shares
10. Location of handling of pay-in
Dojima Branch, Sumitomo Mitsui Banking Corporation
11. Other matters
The pay-in of funds outlined by each of the items above is conditional on the validity of the securities notification under the Financial Instruments and Exchange Act; the lawful and valid receipt by the Japan Fair Trade Commission of the notification stipulated in Article 10, Paragraph 2 of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of 1947 and subsequent amendments); the passage of 30 days (or shortened period if said period is shortened by the Japan Fair Trade Commission under the proviso to Article 10, Paragraph 8 of that Act) from the date of receipt of such notification; approval at the General Meeting of Shareholders of proposals related to this capital increase by third-party allotment; and satisfying the preconditions stipulated in the business partnership agreement.