

March 25, 2022

Company name: ES-CON JAPAN Ltd.
 Representative: Takatoshi Ito, President &
 Representative Director
 (TSE 1st Section, code: 8892)
 Inquiries: Minoru Nakanishi,
 Senior Managing Director
 Tel: +81-3-6230-9308

Notice of Revision of Management Targets for the Final Fiscal Year of the “IDEAL to REAL 2023” Fourth Medium-Term Management Plan

ES-CON JAPAN Ltd. (ES-CON JAPAN) announces decision at today’s board of directors meeting to revise some of its management targets for FY2023, the final fiscal year of the “IDEAL to REAL 2023” fourth medium-term management plan, as follows.

1. Background

ES-CON JAPAN has formulated “IDEAL to REAL 2023,” the fourth medium-term management plan, for the three-year period from the fiscal year ended December 2021 through the fiscal year ending December 2023, and will promote businesses by setting “Establishing business foundations able to withstand unexpected changes in economic conditions” and “Simultaneously changing the revenue structure and expanding business domains” as management strategies based on the theme of “Transformation and Rapid Progress.”

Results in the fiscal year ended December 2021, the first fiscal year of the fourth medium-term management plan, went largely according to plan. The acquisition of Picasso Co., Ltd., a company with an extensive portfolio of outstanding real estate properties generating leasing revenues, and its seven group companies (“Picasso Group”), making them subsidiaries, has advanced investment plans at a pace beyond initial plans, while also securing stable leasing revenues. This has meant we were able to rapidly advance on the theme of “Transformation and Rapid Progress”.

Accordingly, we have decided to revise certain management targets including the target of share of profits from leasing for FY2023, the final fiscal year of the medium-term management plan.

In FY2022 and beyond, we will pursue further progress on transforming the revenue structure as well as pursue proactive business development, with the aim of setting new record highs for profits, thus defining this period as one of rapid progress.

2. Details of revised management targets

	Fiscal year ended Dec. 2020	Fiscal year ended Dec. 2021		Fiscal year ending Dec. 2022		Fiscal year ending Dec.2023		
	Actual	Actual	Plan	Plan	Initial plan	Revised plan	Initial plan	Difference from initial plan
Share of profits from leasing*1	14.2%	21.2%	23.0%	26.0%	24.0%	30.0%	26.0%	+4.0 pts.
Return on equity (ROE)	21.2%	11.8%	12.0%	13.0%	13.0%	13.0%	13.0%	No change
Return on invested capital (ROIC)*2	6.6%	3.2%	4.0%	4.0%	4.0%	4.0%	4.0%	No change
Equity ratio	25.8%	24.8%	29.0%	23.0%	26.0%	21.0%	23.0%	-2.0 pts.
Share of long-term earnings from real estate*3	9.5%	20.6%	12.0%	21.0%	14.0%	23.0%	18.0%	+5.0 pts.
Net assets	38.6 billion yen	62.6 billion yen	61.0 billion yen	67.3 billion yen	66.0 billion yen	72.0 billion yen	72.0 billion yen	No change

Notes:

1. Share of profits from leasing: Leasing segment profits/Total segment profits (excluding adjustments)
2. Return on invested capital (ROIC): After-tax operating income/(Shareholders' equity + Interest-bearing liabilities)
3. Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as non-current assets/Total assets

Reference: Overview of the fourth medium-term management plan

■ Basic Management Strategy Policies

- Establish business foundations able to withstand unexpected changes in economic conditions
 Establish a sound business and financial standing that can maintain its fund-raising abilities under any economic environment.
- Simultaneously change the revenue structure and expand business domains
 Transform the revenue structure from one based on flows to one based on stock by strengthening the real estate leasing business while the same time realizing business diversification and expanding business territories.

■ Basic Policy: Transformation and Rapid Progress

Transformation

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

Rapid Progress

- Demonstrating synergies within 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)

■ Management Strategies

- Transformation to a structure of sustained and stable profit revenues
- Stable growth in existing core businesses through business diversification and area strategies
- Growing new businesses into core businesses through area strategies
- Taking on the challenge of new business domains
- Enhancing synergies with the ES-CON JAPAN Group
- Expanding business bases, primarily in the five major urban areas
- Enhancing synergies with the Chubu Electric Power Group
- Promoting ESG initiatives

■ Performance Plan

(Unit: million yen)

	Fiscal year ended Dec. 2020	Fiscal year ended Dec. 2021				Fiscal year ending Dec. 2022				Fiscal year ending Dec. 2023
	Actual	Actual	Plan	Difference from plan	Increase/decrease	Plan	Initial plan	Difference from initial plan	Increase/decrease	Plan
Net sales	77,308	79,017	80,000	(982)	(1.2%)	100,000	98,000	2,000	2.0%	110,000
Operating income	12,202	10,381	10,800	(418)	(3.9%)	14,000	14,000	-	-	16,000

■ Investment Plan

(Unit: million yen)

	Fiscal year ended Dec. 2021				Fiscal year ending Dec. 2022	Fiscal year ending Dec. 2023	Three-year cumulative total
	Actual	Plan	Difference from plan	Increase/decrease	Plan	Plan	Plan
Investment in revenue-generating real estate	76,799	30,000	46,799	156.0%	40,000	60,000	130,000
Investment in other development	19,191	25,000	(5,809)	(23.2%)	30,000	35,000	90,000
Gross investment	95,990	55,000	40,990	74.5%	70,000	95,000	220,000

■ Dividend policy

In the second medium-term management plan, ES-CON JAPAN introduced a progressive dividend policy of “No reduction in dividend; only maintenance or increase in dividend amount,” in principle, with the DPS of the previous fiscal year as the lower limit. This plan remains in place as the progressive dividend policy for the fourth medium-term management plan. During the period of this medium-term management plan, we will maintain dividends of at least 38 yen/share.

	Fiscal year ended Dec. 2016 Actual	Fiscal year ended Dec. 2017 Actual	Fiscal year ending Dec. 2018 Actual	Fiscal year ended Dec. 2019 Actual	Fiscal year ended Dec. 2020 Actual		Fiscal year ended Dec 2021 Actual	Fiscal year ending Dec. 2022 Plan	Fiscal year ending Dec. 2023 Plan
Dividends per share	15 yen	18 yen	32 yen	36 yen	38 yen	→	38 yen	38 yen (planned)	38 yen or more
Dividend payout ratio	25.5%	22.0%	30.2%	30.2%	33.9%		56.3%	—	—