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## **Notice of formulation of “IDEAL to REAL 2023”, the fourth medium-term management plan**

ES-CON JAPAN Ltd. (ES-CON JAPAN) announces the formulation of IDEAL to REAL 2023, the fourth medium-term management plan, to cover the three-year period from the period ending December 2021 through the period ending December 2023, as outlined below.

### **1. Background and purpose of the formulation of the new medium-term management plan**

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 IDEAL to REAL 2022, its third medium-term management plan covering the three-year period from the period ending December 2020 through the period ending December 2022.

Later, ES-CON JAPAN identified an excellent opportunity to proceed with further business expansion and enhancements to management stability, based on the finding that the impact of COVID-19 on Company 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, as noted in the separate news release “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 Tie-up with Chubu Electric Power Co., Inc.” issued today, ES-CON JAPAN determined it could strengthen its financial standing through a capital increase realized by becoming a consolidated subsidiary of Chubu Electric Power Co., Inc., which offers strong corporate credit. Thus, it established **IDEAL to REAL 2023, a fourth medium-term management plan** covering the three-year period from the period ending December 2021 through the period ending December 2023.

### **2. Overview of the fourth medium-term management plan**

#### **(1) Basic management strategy policies**

- (i) Establishing business foundations able to withstand unexpected changes in economic conditions.

Establishing business and financial standings that would be sound and enable us to maintain our fund-raising abilities under any economic conditions.

- (ii) Simultaneously changing the revenue structure and expanding business domains.

Transforming the revenue structure from one based on flows to one based on stock by strengthening the real estate leasing business while at the same time realizing business diversification and expanding business territories.

#### **(2) 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)

(3) Management strategies

- (i) Transformation to a structure of sustained and stable revenues
- (ii) Stable growth in existing core businesses through business diversification and area strategies
- (iii) Growing new businesses into core businesses through business diversification and area strategies
- (iv) Taking on the challenges of new business domains
- (v) Enhancing synergies within the ES-CON JAPAN Group
- (vi) Expanding facilities, primarily in the five largest urban areas
- (vii) Enhancing synergies within the Chubu Electric Power Group
- (viii) Promoting ESG initiatives

(4) Performance Plan

(Unit: million yen)

	Results in period ended December 2020	Projections for period ending December 2021	Projections for period ending December 2022	Projections for period ending December 2023
Net sales	77,308	80,000	98,000	110,000
Operating income	12,202	10,800	14,000	16,000

Stage of structural reforms to balance sheet and revenues	Stage of setting new record profits	Stage of further rapid progress through realizing transformation
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(5) Management targets

	Results in period ended December 2020	Projections for period ending December 2021	Projections for period ending December 2022	Projections for period ending December 2023
Share of profits from leasing <sup>*1</sup>	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 <sup>*2</sup>	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

<sup>\*1</sup> Share of profits from leasing: Leasing segment profits/segment total profits (not including adjustments)

<sup>\*2</sup> Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as noncurrent assets/net assets

**3. Dividend policy**

In the press release “Notice on Review of Third Medium-Term Management Plan ‘IDEAL to REAL 2022’ and Progressive Dividend Policy,” issued July 30, 2020, ES-CON JAPAN announced a review of the progressive dividend policy (a dividend policy that sets the dividend per share (DPS) for the previous fiscal year as the lower limit and “does not decrease the dividend amount, but rather only maintains or increases the dividend amount” in principle) it had maintained since November 2016. ES-CON JAPAN has decided to maintain this progressive dividend policy from FY2020 and beyond.

During the period of this Medium-term Management Plan, ES-CON JAPAN plans to maintain dividends of **at least 38 yen** per share.

	Results for period ended December 2016	Results for period ended December 2017	Results for period ended December 2018	Results for period ended December 2019	Results for period ended December 2020	Projections for period ending December 2021	Projections for period ending December 2022	Projections for period ending December 2023
Dividend per share	15 yen	18 yen	32 yen	36 yen	38 yen	38 yen or more	38 yen or more	38 yen or more
Payout ratio	25.5%	22.0%	30.2%	30.2%	33.9%	—	—	—

[Link to new Medium-term Management Plan page](#)

[Link to press release “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 Tie-up with Chubu Electric Power Co., Inc.”](#)



# Fourth medium-term management plan

FY2021 to FY2023

“IDEAL to REAL 2023”



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# I. Background of formulation of the fourth medium-term management plan

## External environment

COVID-19 pandemic  
Promoting teleworking (work-style reforms)  
Continued market conditions characterized by low interest rates  
Labor shortages attributable to shrinking population of workers in their productive years  
Growth of e-commerce  
Growing awareness of ESG and SDGs

## Internal environment

Becoming a Chubu Electric Power consolidated subsidiary  
Diverse business domains in the general developer role, including condominium, retail, logistics, and office development  
Engaging in business in Japan's five major urban areas  
Venturing into the REIT market  
Venturing into overseas markets

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



# II. Basic policy

“IDEAL to REAL 2023”

Realizing enhanced capital by becoming a Chubu Electric Power consolidated subsidiary

Basic policy

## Transformation and Rapid Progress

### Three-year growth narrative

2021	Stage of structural reforms to balance sheet and revenues
2022	Stage of settling new record profits
2023	Stage of further rapid progress through realizing transformation

### 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)





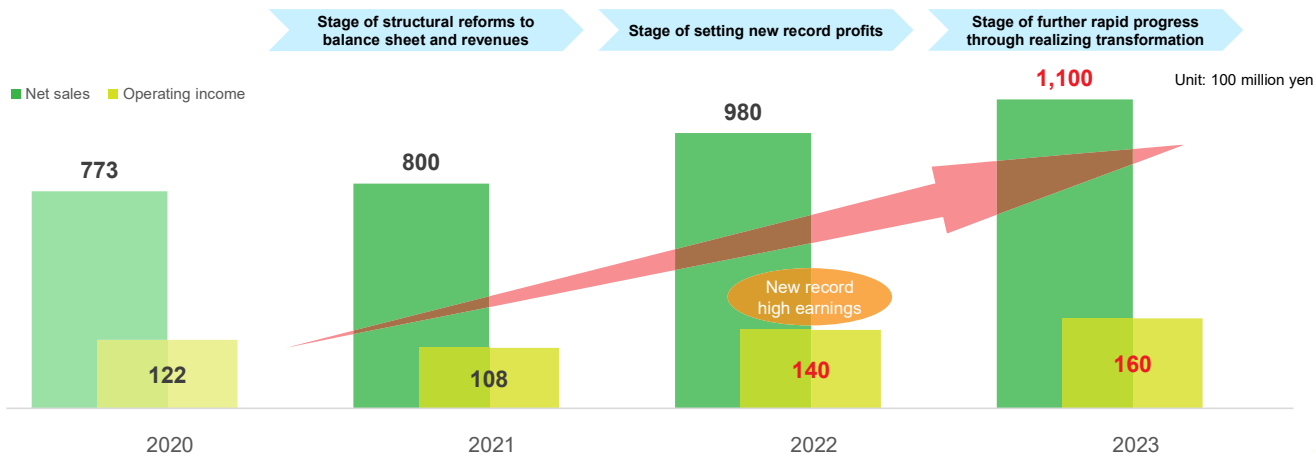
### III. Performance plan and Management targets

#### ■ Performance plan

Unit: 100 million yen

	Results	Plans		
	2020	2021	2022	2023
Net sales	773	800	980	1,100
Operating income	122	108	140	160

#### Trends in sales and operating income plans



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### III. Performance plan and Management targets

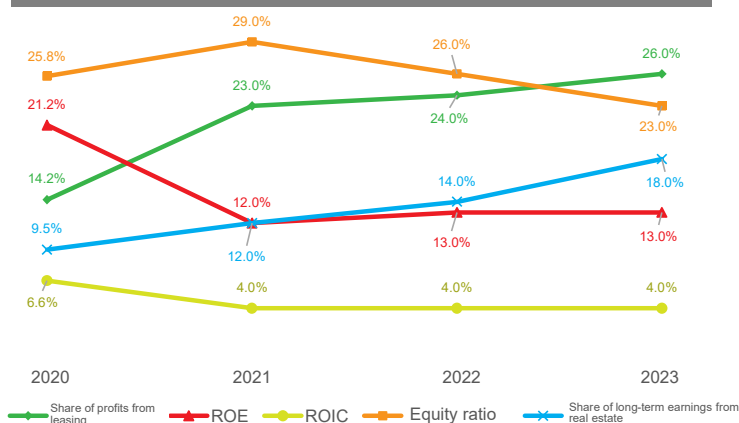
#### ■ Management targets

	Results	Plans		
	2020	2021	2022	2023
Share of profits from leasing *1	14.2%	23.0%	24.0%	26.0%
ROE	21.2%	12.0%	13.0%	13.0%
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 *2	9.5%	12.0%	14.0%	18.0%
Net assets	38.6 billion yen	61 billion yen	66 billion yen	72 billion yen

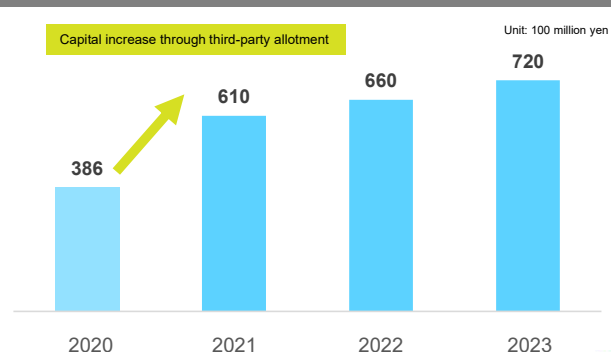
\*1 Share of profits from leasing: Leasing segment profits/segment total profits (excluding adjustments)  
\*2 Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as noncurrent assets/net assets

Conversion to earnings structure that expands share of profit from leasing  
Maintaining a high level of ROE even if it decreases, through capital enhancements  
Promoting management conscious of continued efficiency even in cases of decreases in ROIC  
Maintaining the same level of equity ratio  
Increasing through proactive investments in long-term revenue-generating real estate  
Increasing net assets through capital increase

#### Trends in KPIs



#### Trend in net assets



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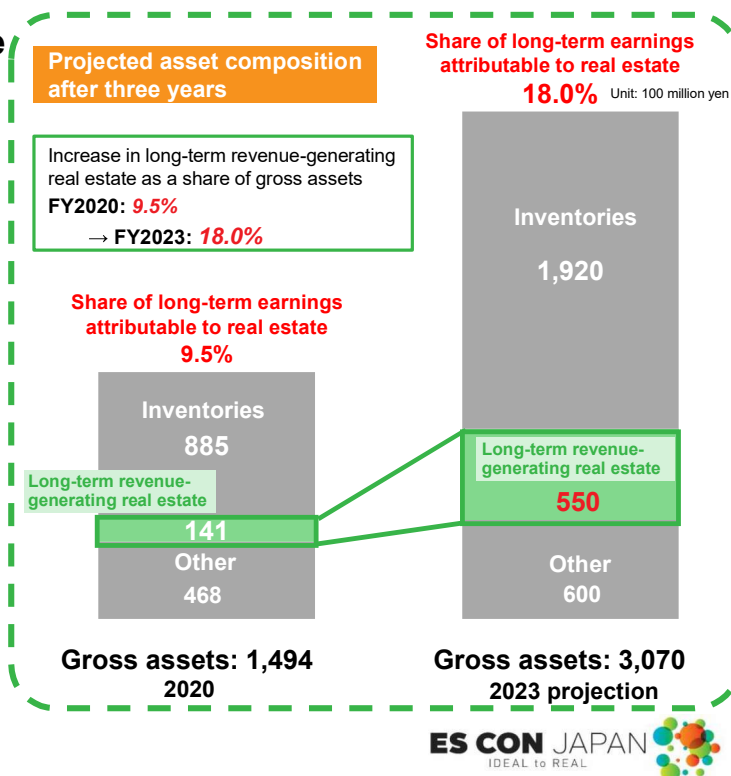
- Gross investment amount over the three-year period of the medium-term management plan: **220 billion yen**
- Transforming the earnings structure through more proactive investment in long-term revenue-generating real estate
- Expanding revenue-generating real estate approximately **fourfold** in three years

Cumulative amounts invested over three years (2021-2023)

Unit: 100 million yen

	2021	2022	2023	Three-year cumulative total
Gross investment amount	550	700	950	2,200
Investment in revenue-generating real estate	300	400	600	1,300
Investment in development of revenue-generating real estate	50	100	150	300
Investment in medium-term revenue-generating real estate*	150	200	250	600
Investments in long-term revenue-generating real estate	100	100	200	400
Investments in other development	250	300	350	900
Amount recovered	0	0	300	300
Net investment	550	700	650	1,900

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



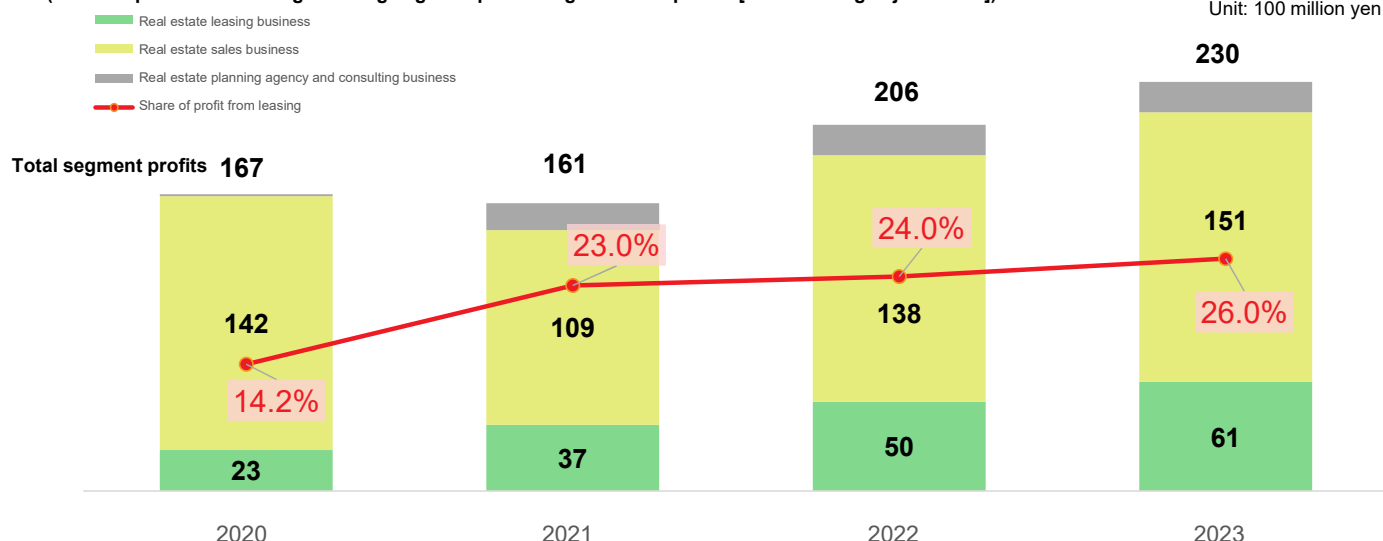
## V. Management strategies

### (i) Transformation to a structure of sustained and stable revenues

- Increasing the share of profits from leasing to 26% or higher

Trends in segment profits and share of profit from leasing

(Share of profit from leasing: Leasing segment profits/segment total profits [not including adjustments])



Achieving transformation to stable revenue structure by increasing leasing profits to **26%** of total segment profits

## V. Management strategies

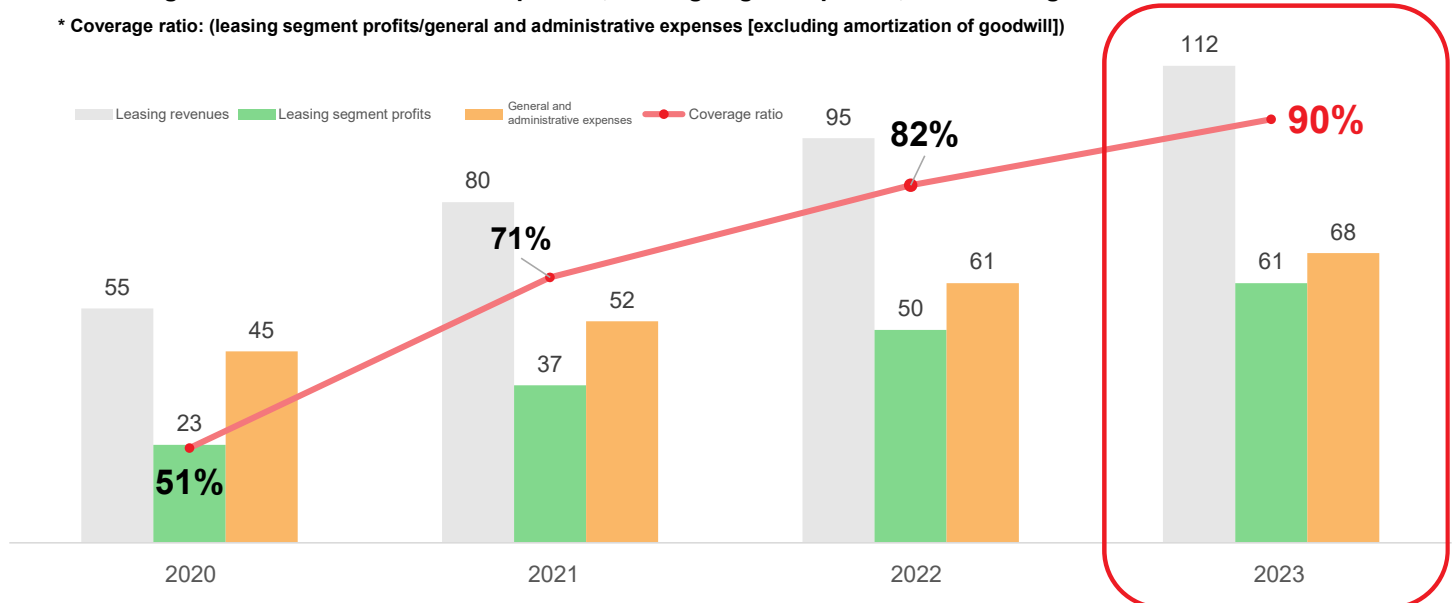
### (i) Transformation to a structure of sustained and stable revenues

#### ■ Establishing a revenues structure wherein leasing segment profits cover total general and administrative expenses

Trends in general and administrative expenses, leasing segment profits, and coverage ratio\*

Unit: 100 million yen

\* Coverage ratio: (leasing segment profits/general and administrative expenses [excluding amortization of goodwill])



Increasing coverage ratio to **90%** in the term ending December 2023 (final fiscal year of the medium-term management plan)

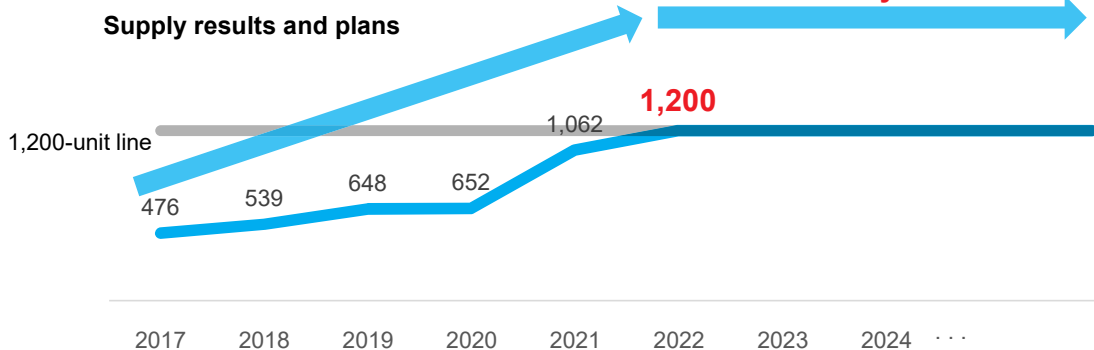
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## V. Management strategies

### (ii) Stable growth in existing core businesses through business diversification and area strategies

#### (1) Condominium business

Stable supply of 1,200 units in FY2022 and beyond



Targeting a stable supply of 1,200 units/year rather than simply increasing the number of condominium units

#### Diversification strategy

##### Developing condominiums in harmony with the natural environment

Launching condominium developments on sites characterized by natural abundance  
Proposing new lifestyles such as working vacations in addition to outdoor and leisure life



OST RESIDENCE KARUIZAWA

#### Region-specific strategies

##### Stable supply in Japan's five major urban areas

In addition to ensuring a stable supply in the Kanto and Kansai regions, beginning to supply properties in the Chukyo region in 2021 and the Kyushu region in 2023  
Plans to initiate condominium development in the Hokkaido region at some future point



Le JADE Yamato-Takada Ekimae



Le JADE Urawa



Le JADE City Hyotanyama

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# V. Management strategies

## (ii) Stable growth in existing core businesses through business diversification and area strategies

### (2) Retail facility development

New development of neighborhood shopping centers and retail sites and proactive investment in raising value

Development of the "tonarie" brand of retail facilities rooted in local communities



tonarie Yamato-Takada



tonarie Toga-Mikita



tonarie Utsunomiya



tonarie Yokkaichi

### Diversification strategy

#### Promoting multiuse development

Promoting development of complexes combining retail, residential, and employment functions, as typified by the Tsukuba Station integrated development project

#### Tsukuba Station integrated development project



Retail tonarie Q't • Mog

Residential Le JADE Tsukuba Station Front

Office tonarie Tsukuba Square

#### Solutions to social challenges

Providing safe, comfortable living in local communities by fulfilling social responsibilities in areas such as regional vitalization, local community building, and health and welfare, all through urban development, in response to low birth rates and an aging society



### Region-specific strategies

#### Nationwide deployment

Efforts involving various retail sites across Japan, including those connected directly to railway stations, in high population density areas, and in highly convenient roadside locations



# V. Management strategies

## (ii) Stable growth in existing core businesses through business diversification and area strategies

### (3) Public REIT offering business

■ As a sponsor firm, continuing to develop retail facilities and retail sites rooted in local communities and realizing mutual growth by supplying properties to ES-CON JAPAN REIT

#### Major properties already supplied



tonarie Minamisenri



Pare Marche Nishiharui



Life Daisen



Fukuoka Kasuga Project

Retail facilities with roots in local communities

Retail sites

#### Properties with priority acquisition rights



Soyoca Fujimino



KoLuTeNa I

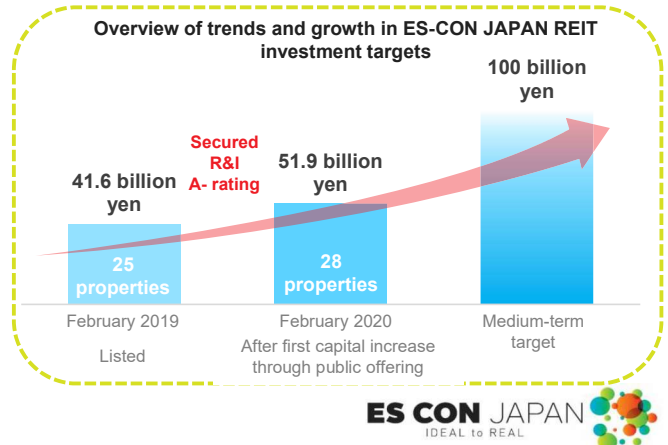
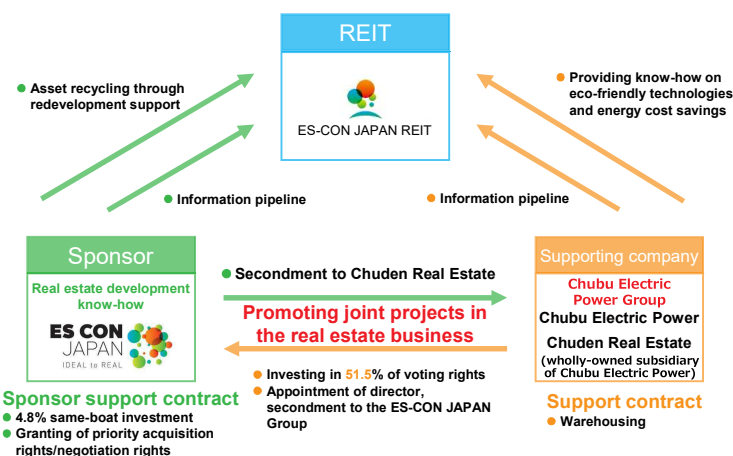


Welcia Mukomotochachi

Retail facilities with roots in local communities

Retail site

■ Mutual growth through cooperation with the Chubu Electric Power Group, our supporting company



## V. Management strategies

### (ii) Stable growth in existing core businesses through business diversification and area strategies

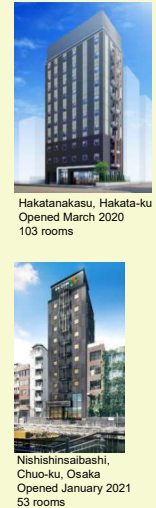
#### (4) Hotels business

Through January 2021, 17 projects had been developed (of which 15 were sold). Despite uncertainties related to COVID-19, careful decisions will be made with regard to future developments based on the prospects of recovery post-COVID of inbound tourism demand.

##### Properties sold



##### Properties currently held



## V. Management strategies

### (iii) Growing new businesses into core businesses through business diversification and area strategies

#### (1) Logistics projects

Launching "LOGITRES", a new logistics facility brand

The development of the first project under the LOGITRES Tojo brand is now complete. In October 2019, we acquired a development site in the same area for a second project.

Efforts are underway in businesses involving logistics site and facilities development through a land readjustment project in the city of Koga in Fukuoka Prefecture.

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.

Development of the "LOGITRES" brand of logistics facilities supporting consumer lifestyles



LOGITRES Tojo (Kato, Hyogo Prefecture)

##### Region-specific strategies

**Suburban areas near high population density urban areas**  
Development on sites offering high transportation convenience to serve as e-commerce logistics facilities

##### Planned future logistics projects

Hyogo Tojo II Project (tentative name)

Koga-shi Genboen Phase VI Project (tentative name)

#### (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 to develop apartments to meet various needs, including student apartments, company housing, and apartments for one-person households.

##### Region-specific strategies

##### Five major urban areas

Business development in sites offering convenient commuting to work or school near railway stations and office areas in the five major urban areas of Kanto, Kansai, Chukyo, Kyushu, and Hokkaido

##### Planned future apartment projects

Suita-shi Tarumicho 3-chome Project (tentative name)

Taito-ku Kotobuki 4-chome Project (tentative name)

Taito-ku Taito 2-chome Project (tentative name)

## V. Management strategies

### (iii) Growing new businesses into core businesses through business diversification and area strategies

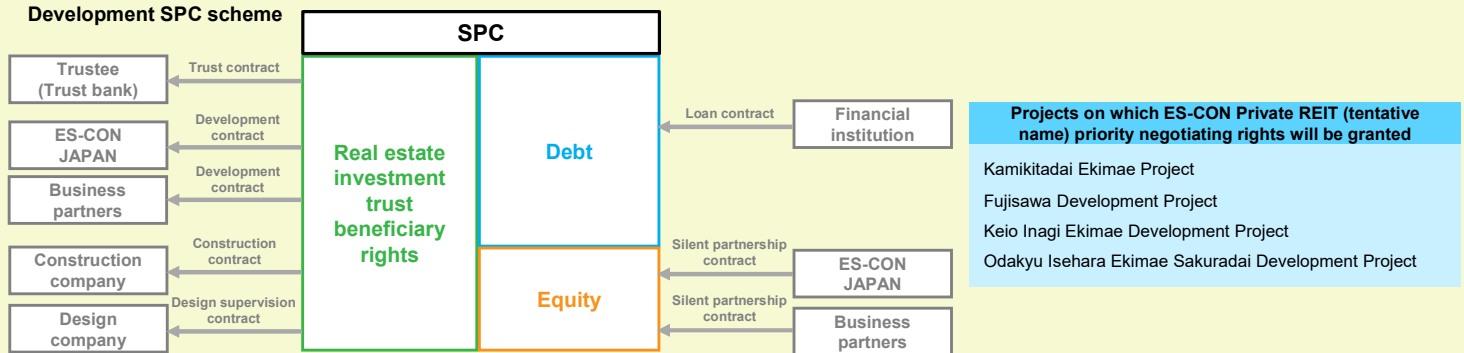
#### (3) Private REIT business

Venturing into the apartment market in which conditions remain solid despite future uncertainty  
As a new initiative, plans call for forming ES-CON Private REIT (tentative name) as a private REIT to invest mainly in apartments.

##### ■ Drawing on development SPCs

Costs will be reduced and fund-raising risks lowered via special-purpose corporations (SPCs) intended to develop apartments for the private REIT, rather than relying solely on properties we develop.  
ES-CON Private REIT (tentative name) will be granted priority negotiating rights on projects developed by the SPCs; it will also receive trust beneficiary rights from SPCs following development.  
ES-CON Asset Management, a Group member company, will be assigned to handle SPC arrangements and operations management, to enhance Group earnings potential.

##### Development SPC scheme



## V. Management strategies

### (iv) Taking on the challenges of new business domains

#### (1) New businesses

##### ■ Overseas business



Tower 520 N. Central



Tower 521 N. Orange

##### Future overseas business plans

Condominium project in Bangkok, Thailand  
Knightsbridge Sukhumvit-Thepharak PJ

Condominium development project in Los Angeles County, California  
520PJ  
(Tower 520 N. Central/Tower 521 N. Orange)

##### ■ Sale of permanent ossuary usage rights



Sale of permanent usage rights in the ossuary Ryomon Co., Ltd., located in Minamiazabu, Minato-ku (total number of shrines: 9,999)

##### ■ Large-scale urban development business

Promoting the large-scale urban development business in partnership with the Chubu Electric Power Group  
Accelerating initiatives that fuse energy and community-support infrastructure with real estate businesses

#### (2) Other new initiatives

##### ■ M&As, alliances

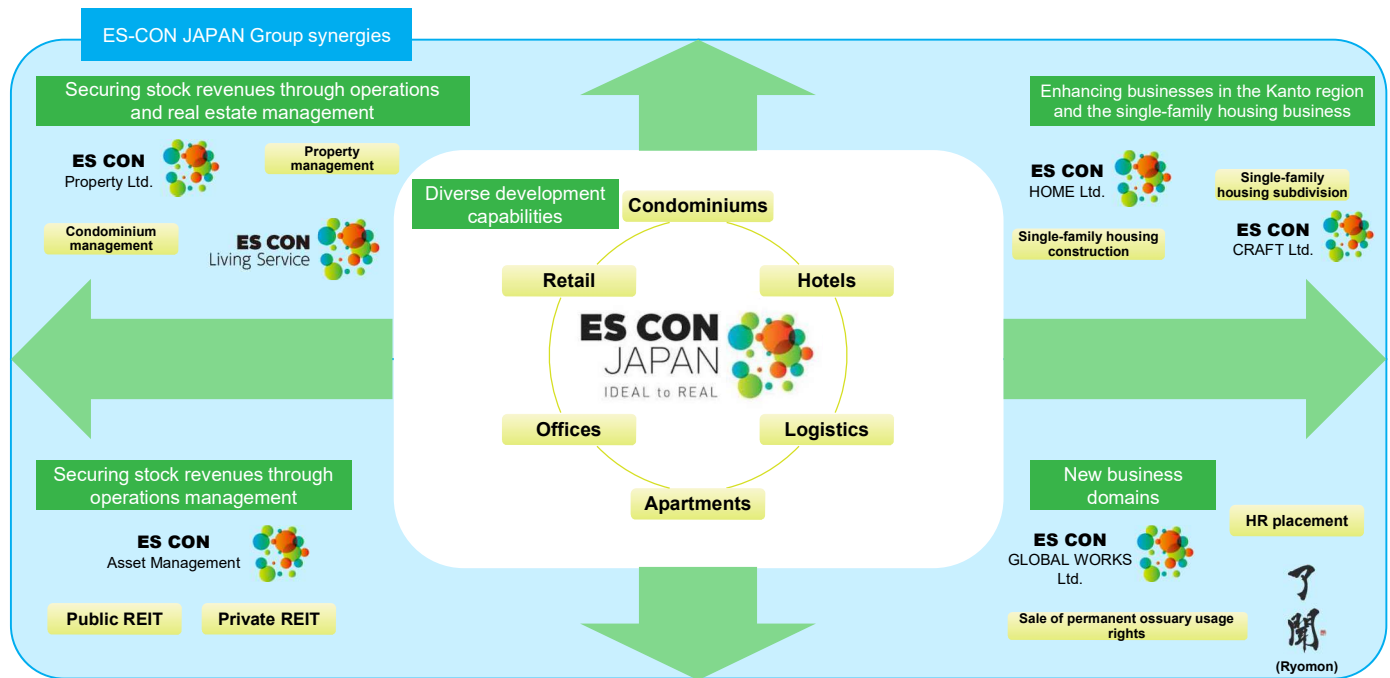
##### ■ Digital transformation



## V. Management strategies

### (v) Synergies within the ES-CON JAPAN Group

Enhancing the stable earnings capabilities of subsidiaries through ES-CON JAPAN's diverse development strengths

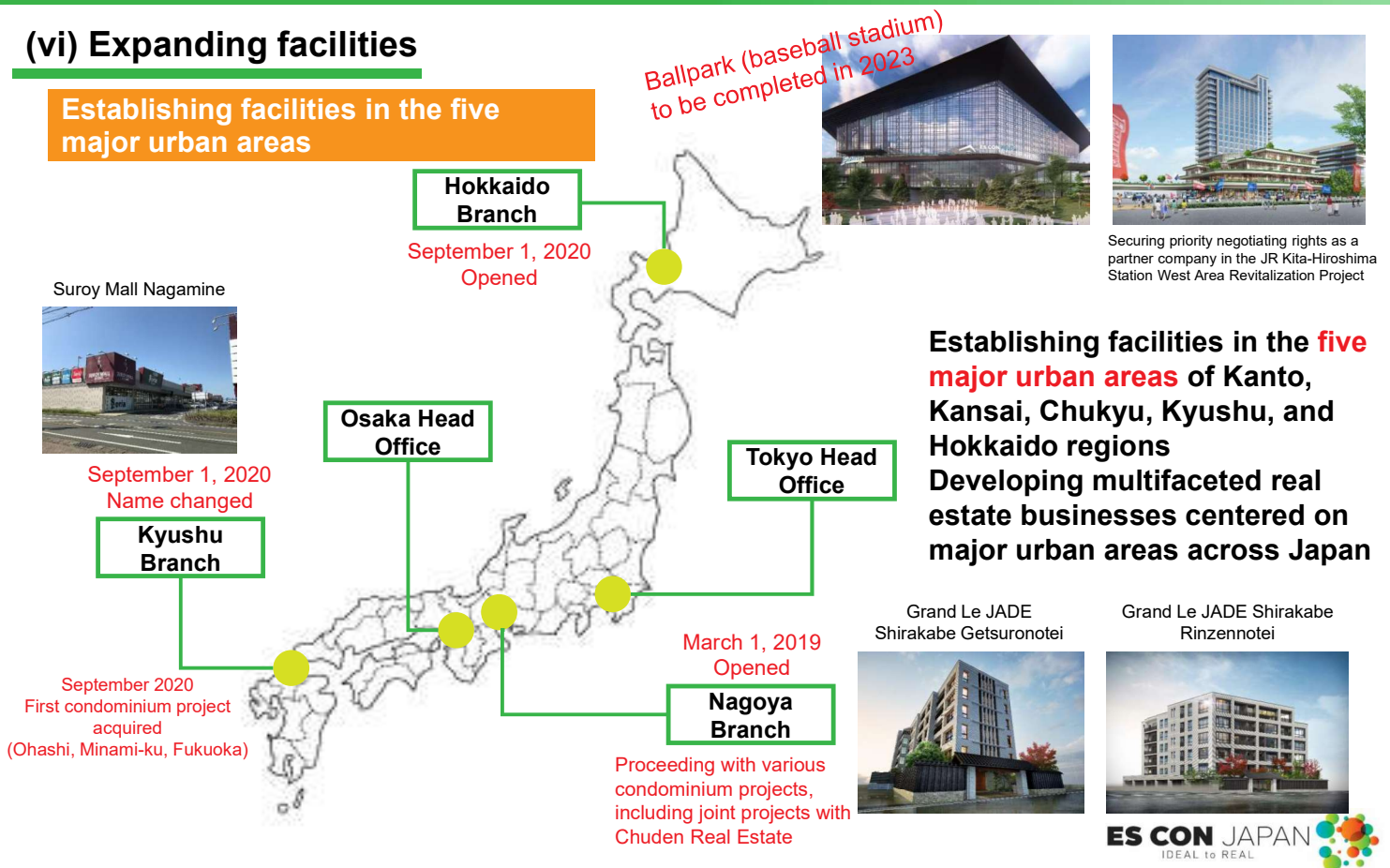


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## V. Management strategies

### (vi) Expanding facilities

Establishing facilities in the five major urban areas



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## V. Management strategies

### (vii) Synergies within the Chubu Electric Power Group



### Chubu Electric Power Group

#### Synergies through 2020

<b>Promoting joint projects</b>	Five joint projects already underway with Chuden Real Estate Four projects in the Chukyo area (Shirakabe, Shirakabe II, Nishichinomiya, Kakegawa) One project in the Kansai area (Suita-shi Fujishirodai 5-chome)	<b>Mutually complementary business areas</b>	Nagoya Branch opened in March 2019 Business development in both areas (Chubu, Kansai)
<b>Making effective use of real estate owned by the Chubu Electric Power Group</b>	Joint project launched with Chuden Real Estate on real estate it owns in Ichinomiya, Aichi Prefecture	<b>Joint research and implementation of next-generation smart houses, connected homes, etc.</b>	Began development of next-generation complex in Suita-shi Fujishirodai 5-chome (on the former site of the National Cerebral and Cardiovascular Center) in joint project with Chuden Real Estate
<b>Prospective buyers for our real estate development projects</b>	Sale of properties owned by ES-CON JAPAN to Chuden Real Estate based on the warehousing method (support contract concluded in September 2019 involving three companies: Chuden Real Estate, EJR, and ES-CON Asset Management)	<b>Exchange of human resources</b>	Starting April 2019, two Company employees were seconded to Chuden Real Estate. One person from Chubu Electric was named director in March 2019. Chuden Real Estate employees seconded to the Group for training

#### Further synergies achieved by becoming a consolidated subsidiary

Large-scale redevelopment in urban centers and railway station areas

Realizing “new community building”

Large-scale community development



## V. Management strategies

### (viii) Promoting ESG initiatives

#### ESG management philosophy

Our IDEAL to REAL corporate message calls for the creation of a new culture by making ideals reality. Based on this working slogan, as a lifeways developer committed to creating ideal modes of life that meet today's changing needs, we will seek to build a sustainable society and achieve sustainable growth by addressing social issues through our ESG initiatives.

#### Basic ESG policy

We strive to grow as a company needed by society by promoting ESG initiatives in strict compliance with laws, regulations, and our pledges related to the environment, society, and self-governance.



Helping to build a sustainable society

<div style="background-color: #4CAF50; color: white; padding: 10px; text-align: center; font-size: 2em; margin-bottom: 10px;">E</div> <div style="display: flex; justify-content: space-around;"> <div style="background-color: #FFEB3B; padding: 5px; text-align: center;">7 Affordable and clean energy</div> <div style="background-color: #FFEB3B; padding: 5px; text-align: center;">11 Sustainable cities and communities</div> <div style="background-color: #FFEB3B; padding: 5px; text-align: center;">13 Climate action</div> <div style="background-color: #FFEB3B; padding: 5px; text-align: center;">15 Life on land</div> </div> <ol style="list-style-type: none"> <li>1. Creating new environmental value through next-generation urban development and other measures to realize a carbon-neutral society by 2050</li> <li>2. Promoting real estate development and corporate activities that give full consideration to the environment</li> <li>3. Taking on the challenges of new business domains based on the key theme of the environment, thereby creating both environmental value and business value</li> </ol>	<div style="background-color: #2196F3; color: white; padding: 10px; text-align: center; font-size: 2em; margin-bottom: 10px;">S</div> <div style="display: flex; justify-content: space-around;"> <div style="background-color: #FFCDD2; padding: 5px; text-align: center;">3 Good health and well-being</div> <div style="background-color: #FFCDD2; padding: 5px; text-align: center;">5 Gender equality</div> <div style="background-color: #FFCDD2; padding: 5px; text-align: center;">8 Decent work and economic growth</div> <div style="background-color: #FFCDD2; padding: 5px; text-align: center;">17 Partnerships for the goals</div> </div> <ol style="list-style-type: none"> <li>1. In addition to contributing to community vitality through urban development, creating new futures by promoting local community building</li> <li>2. In addition to developing workplaces where employees can demonstrate their abilities to the fullest while doing rewarding work, promoting diversity to enable diverse human resources to thrive</li> <li>3. Supporting safe and comfortable lives in our many communities by contributing to solutions to social challenges posed by health and welfare, including low birth rates and aging populations</li> <li>4. Promoting business development to achieve SDGs on a global basis through international business development</li> </ol>	<div style="background-color: #F44336; color: white; padding: 10px; text-align: center; font-size: 2em; margin-bottom: 10px;">G</div> <div style="background-color: #F44336; padding: 5px; text-align: center;">16 Peace, justice, and strong institutions</div> <ol style="list-style-type: none"> <li>1. Enhancing timely, appropriate, and fair disclosure of management information</li> <li>2. Promoting governance structures capable of securing management stability, soundness, and transparency</li> <li>3. Enhancing risk management capabilities in response to growing risks accompanying business expansion and diversification</li> <li>4. Pursuing business activities based on the Corporate Ethics Charter and respect for the human rights of all</li> </ol>
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## V. Management strategies

### (viii) Promoting ESG initiatives



#### GRESB Real Estate Developer Assessment secured

ES-CON JAPAN received ratings of "3 Stars" and "Green Star" in the 2020 GRESB Real Estate Developer Assessment.

We will maintain our proactive efforts to improve these ratings into the future.

### Goals of initiatives

#### E: Environment

##### ■ Contributing to decarbonization in partnership with the Chubu Electric Power Group

In the Suita-shi Fujishirodai 5-chome Project (tentative name), a joint project with Chuden Real Estate, we're developing a project targeting next-generation urban development to realize a society founded on safety, comfort, energy conservation, recycling, and coexistence with plants and nature.

In the future, we will strive to develop a data platform contributing to a carbon-free society through urban development partnership with the Chubu Electric Power Group.

##### ■ Use of renewable energy



The LOGITRES Tojo logistics facility incorporates solar panels. We will continue to pursue eco-friendly development utilizing renewable energy.

##### ■ Promoting development of ZEH-M and other eco-friendly condominiums



Le JADE Okurayama, completed in November 2020, was our first project selected for the high-rise ZEH \*1-M support project. We will continue to promote the development of eco-friendly condominiums.

##### ■ Adoption of environmental management system



On May 25, 2020, we secured Eco Action 21 certification. Eco Action 21 is a Japanese environmental management system (EMS) established by the Ministry of the Environment of Japan. We will continue to strive to reduce CO2 emissions at retail facilities developed and operated by the Group.

\*1 A ZEH (net zero-energy house) is a structure that seeks to achieve zero consumption of primary energy over the course of the year through exterior insulating performance and other factors and the adoption of high-efficiency equipment and systems, thereby realizing large-scale energy savings while maintaining interior environmental quality and adopting renewable energy sources.

#### S: Society

##### ■ Community vitalization, local community creation

The tonarie series of neighborhood shopping centers developed by ES-CON JAPAN are developed and operated as facilities with roots in the local communities, intended to be beloved and admired components of local communities.



We're participating in development of the area around the new stadium of the Hokkaido Nippon Ham Fighters baseball team. Through joint efforts in promoting athletics and culture, we bring joy to and invigorate communities.

##### ■ Promoting an action plan based on the Act on Advancement of Measures to Support Raising Next-Generation Children

We support our employees in their efforts to balance work and family life through assistance with childcare and long-term care and other means. We plan to further initiatives to create workplaces where diverse human resources can thrive.

##### ■ Promoting support for people with cognitive illnesses



At tonarie Seiwadai, a facility operated by the Group, all tenants undergo training courses required to support people with cognitive illnesses. The facility has been named by the Hanshin Kita Community Center as a business that supports people with cognitive illnesses.

We support safe and comfortable lives for everyone in the community; other retail facilities operated and managed by the Group deploy similar activities.

##### ■ Proactively contributing and giving back to society

We donate to the Sugiyama Research Foundation\*2 and Kyoto University's iPS Cell Research Foundation\*3. We will continue advancing efforts to support solutions to social challenges.

\*2 Research foundation supporting the promotion of the WT1 cancer vaccine and development of a WT1 cancer preventive vaccine advanced by Special Professor Haruo Sugiyama of the Osaka University Graduate School of Medicine

\*3 Research foundation at the Kyoto University Center for iPS Cell Research and Application (led by Prof. Shinya Yamanaka) that pursues possibilities for and medical applications of iPS cells

#### G: Governance

##### ■ Enhancing disclosure of both financial and nonfinancial information

In addition to timely disclosures on our website and the annual General Meeting of Shareholders, we strive to create opportunities for dialogue with shareholders through briefings on financial results and individual IR briefings in Japan and overseas.

In March 2020, in our Corporate Governance Report, we described the process of determining executive compensation by category. In April 2020, we added a page on ESG initiatives to our corporate website. We strive to enhance disclosure to stakeholders.

##### ■ Enhancing and strengthening corporate governance

We shifted to the structure of a company with auditors in March 2016. In January 2020, we established the Nomination and Remuneration Advisory Committee. External directors account for the majority of the membership.

In January 2021, we appointed seven executive directors based on a succession plan.

Plans call for independent external directors to make up a majority of directors beginning in April 2021.

We plan to continue enhancing and strengthening corporate governance.

##### ■ Risk management

With regard to the risks of the development business, through weekly Head Office conferences between directors and section heads and other activities, we check on the details of all business risks and set policies for response. Risks across the organization and information-sharing companywide is assessed through weekly Risk Management Committee meetings to ensure timely sharing of information and effective decision-making on response policies regarding diverse risks, including compliance, legal, labor, and safety management risks.

##### ■ Respect for human rights

Through training on prevention of harassment and discrimination and other measures, we carry out business activities based on respect for the rights of employees and all other stakeholders.



## V. Management strategies

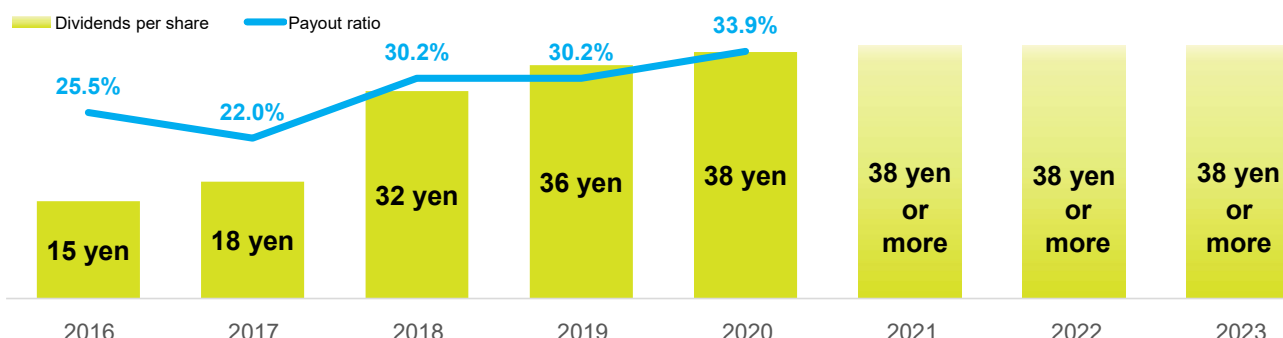
### (ix) Returns to shareholders (dividend policy)

#### ■ Continuation of progressive dividend policy

In the press release "Notice on Review of Third Medium-Term Management Plan "IDEAL to REAL 2022" and Progressive Dividend Policy," issued July 30, 2020, ES-CON JAPAN announced a review of the progressive dividend policy (a dividend policy that sets the dividend per share (DPS) for the previous fiscal year as the lower limit and "does not decrease the dividend amount, but rather only maintains or increases the dividend amount" in principle) it had maintained since November 2016. ES-CON JAPAN has decided to maintain this progressive dividend policy from FY2020 and beyond.

During the period of this Medium-term Management Plan, ES-CON JAPAN plans to maintain dividends of **at least 38 yen** per share.

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





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