

April 28, 2020

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Notice on Disposal of Treasury Shares Through Third-Party Allotment

ES-CON JAPAN Ltd. (ES-CON JAPAN) announces that it resolved at its board of directors' meeting held today to dispose treasury shares through third-party allocation (the "Disposal of Treasury Shares"). Details are as follows.

1. Outline of the Disposal

- (1) Date of disposal : May 14, 2020
- (2) Number of shares to be disposed : 330,000 shares (common shares)
- (3) Disposal price : 628 yen per share
- (4) Amount of fund to be procured : 207,240,000 yen
- (5) Disposal method : Disposal through third-part allotment
- (6) Allottee : Japan Trustee Services Bank, Ltd. (trust account)
Japan Trustee Services Bank, Ltd. is scheduled to merge with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. on July 27, 2020, subject to the approval by related authorities, etc. and change its trade name to Custody Bank of Japan, Ltd.
- (7) Other : Disposal of Treasury Stock is conditional on the notification coming into effect as per the Financial Instruments and Exchange Act.

2. Purpose of and Reason for the Disposal

ES-CON JAPAN announced "Notice on Continuation and Partial Revision of Performance-Based Stock Reward System" on January 30, 2020, and "(Revised) Partial Amendment to the "Notice on Continuation and Partial Revision of Performance-Based Stock Reward System"" on March 13, 2020, (the "System"; the trust agreement on the System concluded with Resona Bank, Limited shall be referred to as the "Trust Agreement"; the trust to be established in regard to the Trust Agreement shall be referred to as the "Trust"), and later, such was approved at the 25th Regular General Meeting of Shareholders held on March 26, 2020.

The Disposal of Treasury Shares is to dispose treasury shares through third-party allotment, with Japan Trustee Services Bank, Ltd. (trust account), the trustee entrusted by Resona Bank, Limited, which is the trustee of the Trust, as the allottee, in order to continue the Trust.

The number of shares to be disposed is equivalent to the total number of shares expected to be granted calculated based on (a) the number of assigned shares pursuant to stock ownership regulations and (b) the number of expected recipients. The number is 0.46% of the total number of shares issued and outstanding as of March 31, 2020 (The figure is rounded to the second decimal place. It is 0.48% of the total number of voting rights as of March 31, 2020, which stands at 691,607.) Since the granting of shares pursuant to stock ownership regulations takes place in line with retirement of directors and such and thus in a gradual manner, it is not possible that a large number of shares will flow out to the stock market due to the Disposal of Treasury Shares.

Furthermore, ES-CON JAPAN believes that the Disposal of Treasury Shares will lead to the improvement of its business performance over the medium to long term and increase corporate value through

clarification of the link between remuneration of directors and ES-CON JAPAN's performance and stock price, and that the scale of dilution is reasonable and has a minimum impact on the trading market.

***Overview of the Trust Agreement**

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| (1) | Name | : Board benefit trust for executives |
| (2) | Entrusting party | : ES-CON JAPAN |
| (3) | Trustee | : Resona Bank, Limited
(Trustee: Japan Trustee Services Bank, Ltd.) |
| (4) | Beneficiaries | : Directors (excluding outside directors, auditors and non-executive directors) who fulfill the prescribed requirements |
| (5) | Trust administrator | : Third party having no interest in ES-CON JAPAN |
| (6) | Date of conclusion of the Trust Agreement | : April 1, 2015 |
| (7) | Trust term | : From April 1, 2015, to the closing of the Trust (as long as the Trust continues, with no specific closing date set) |

3. Basis for Calculating Disposal Value and Specific Details

The disposal value was decided to be 628 yen, which is the closing price for ES-CON JAPAN's shares on the Tokyo Stock Exchange on April 27, 2020, which is the business day immediately prior to the date of the resolution on the disposal by the board of directors (the "Resolution Date"), in order to eliminate arbitrariness.

The said value deviates from the average closing price of 597 yen (rounded down to the nearest whole number) over the one-month period (March 28, 2020 to April 27, 2020) immediately preceding the business day (April 27, 2020) immediately prior to the Resolution Date by 5.19%; deviates from the average closing price of 707 yen (rounded down to the nearest whole number) over the three-month period (January 28, 2020 to April 27, 2020) by 11.17%; and deviates from the average closing price of 827 yen (rounded down to the nearest whole number) over the six-month period (October 28, 2019 to April 27, 2020) by 24.06%. (The deviation rates are rounded to the second decimal place.)

Taking into consideration the above, the disposal value for the Disposal of Treasury Shares is considered to be rational as the value is not particularly advantageous to the allottee.

Furthermore, the audit committee (comprised of three members, three of which are outside directors) has expressed an opinion that the above disposal value is not particularly advantageous to the allottee.

4. Matters Concerning Procedures for Corporate Code of Conduct

Since the Disposal of Treasury Shares (1) will have a dilutive effect of less than 25% and (2) does not accompany a change in controlling shareholders, it does not require procedures set forth in Article 432 of the securities listing regulations by the Tokyo Stock Exchange requiring an independent third-party opinion and confirmation of shareholder intent.