

January 27, 2023

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Notice on Extraordinary Loss Recorded

ES-CON JAPAN Ltd. (ES-CON JAPAN) announced that it has recorded an extraordinary loss in its consolidated settlement of accounts for the fiscal year ended December 2022. Detail are as follows.

1. Details of extraordinary loss

ES-CON JAPAN recorded an extraordinary loss totaling 3,927 million yen for the following reasons:

- (i) Recording of impairment loss and provision of allowance for doubtful accounts at Ryomon Co., Ltd.
As a result of a review of future revenue plans based on FY2022 financial results reflecting slower sales of ossuary permanent usage rights, consolidated subsidiary Ryomon Co., Ltd. recorded an impairment loss of 1,760 million yen and provision of allowance for doubtful accounts of 1,483 million yen.
- (ii) Recording of loss on compensation for damages at ES-CON ASSET MANAGEMENT Ltd.
Consolidated subsidiary ES-CON ASSET MANAGEMENT Ltd. (EAM) recorded a loss due to obligations to provide compensation for damages of 682 million yen, consisting of 666 million yen in damages, plus associated legal costs, stemming from a violation of an agreement on the loyalty obligation as an EAM's real estate appraiser certified by ESCON JAPAN REIT Investment Corporation (EJR), an EAM asset manager.

2. Effect on financial results

The Summary of Accounts for Fiscal Year Ending December 2022 (Japanese GAAP) (Consolidated), released today reflects the effects of the above on financial results.