

January 29, 2019

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Notice on Final-Year Revisions to Medium-Term Management Plan “IDEAL to REAL 2019”

ES-CON Japan Ltd. (ES-CON Japan) announces that it resolved at its board of directors meeting held today to make the following upward revisions to the final fiscal year of its second medium-term management plan, “IDEAL to REAL 2019.”

1. Performance Plan Revisions

(Unit: Millions of yen)

	FY2017	FY2018	FY2019		
	(Actual)	(Forecast announced Dec 10, 2018)	(Initial plan)	(Revised plan)	(Change)
Net sales	44,724	53,900	60,000-62,000	74,800	+14,800
Real estate sales	41,168	50,270	57,800-59,700	70,250	+12,450
Real estate leasing	3,459	3,270	2,000-2,100	4,300	+2,300
Real estate planning, brokerage and consultation	96	360	200	250	+50
Operating income	7,042	11,500	8,200-9,500	12,500	+4,300
Ordinary income	5,988	10,450	7,200-8,500	11,200	+4,000

In the first two years of IDEAL to REAL 2019, its second medium-term management plan, lasting the three years from FY2017 to FY2019, ES-CON Japan achieved steady performance with higher sales and income than initially planned.

Furthermore, due to ES-CON Asset Management Ltd. (ES-CON AM), the wholly-owned subsidiary of ES-CON Japan, obtaining approval to list investment units issued by ESCON JAPAN REIT Investment Corporation (ESCON REIT), whose assets are entrusted to be managed by ES-CON AM, on the J-REIT market as well as the transfer of ES-CON Japan’s commercial facilities and commercial land to ESCON JAPAN REIT and steady performance in land purchasing and condominium sales for ES-CON Japan’s core sales business, forecasts for sales and income in the final fiscal year, FY2019, are higher than initially planned as well.

2. Management Indicator Plan Revisions

	FY2017	FY2018	FY2019		
	(Actual)	(Forecast)	(Initial plan)	(Revised plan)	(Change)
Equity ratio	24.8%	25.2%	33.0%-35.0%	22.6%	-10.4
ROE (return on equity)	28.1%	29.8%	18.0%-21.0%	25.9%	+7.9
ROA (return on assets)	6.8%	7.4%	6.0%-7.0%	6.1%	+0.1
ROIC (return on invested capital)	8.4%	8.4%	7.0%-9.0%	6.9%	-0.1
EPS (earnings per share)	81.77 yen	107.2 yen	75 yen-85 yen	115.1 yen	+40.1

(Note) ROIC (return on invested capital): After-tax operating income / (shareholders’ equity + interest-bearing liabilities)

The main reason for the planned equity ratio not being achieved was that inventory assets increased as a result of aggressive purchasing of development real estate to maintain continued company growth. Through continued company growth, ES-CON Japan will work to not only enhance shareholder returns but improve the equity ratio with income accumulation.

Reference

Basic Policy and Growth Action Plan in the second medium-term management plan, “IDEAL to REAL 2019”

1. ES-CON Japan will turn the ideals of “IDEAL to REAL 2019” into reality and create a new future.

We will follow our basic policy of putting our customers first, fully accomplishing our mission as “Life Developers” who develop the living styles of our customers and continuing to evolve and grow as a company indispensable to society.

Corporate Strategy

- (1) Maximize corporate value and shareholder returns
- (2) Establish a firm management foundation that can weather any economic climate
- (3) Diversify business to achieve steady, continuous growth
- (4) Focus on building a firm business foundation (quality) rather than expanding in size (quantity)
- (5) Fulfill our corporate social responsibility by achieving returns not only for shareholders but all stakeholders, including society

2. Growth Action Plan

- (1) Continue to reinforce core businesses
- (2) Increase corporate value by diversifying multiple core businesses
- (3) Ensure steady, long-term stock income by actively expanding real estate leasing
- (4) Expand real estate sale by steadily supplying quality properties as the main sponsor of a listed REIT
- (5) Expand the breadth and depth of our real estate development capabilities by enhancing real estate operation
- (6) Enhance the corporate brand
- (7) Create new value and achieve sustainable growth through ESG initiatives