



Summary of Accounts for First Quarter of Term Ending December 2018 (Japanese GAAP) (Consolidated)

May 8, 2018

Name of listed company: ES-CON JAPAN Ltd. Listing exchange: Tokyo Stock Exchange
 Code: 8892 URL: <https://www.es-conjapan.co.jp>
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 Scheduled date for submission of periodic securities report: May 8, 2018
 Scheduled date for start of dividend payment: —
 Supplementary explanatory materials created for accounts? Yes/No: No
 Accounts briefing meeting held? Yes/No: No

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for first quarter of term ending December 2018 (from January 1, 2018 to March 31, 2018)

(1) Consolidated operating results

(% figures show the rate of increase (decrease) compared with the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First quarter of term ending Dec. 2018	18,411	85.7	2,742	11.9	2,504	13.9	1,719	(22.1)
First quarter of term ended Dec. 2017	9,915	46.2	2,451	68.1	2,199	77.8	2,206	78.5

Note: Comprehensive income
 First quarter of term ending Dec. 2018: 1,710 million yen [-22.4%] First quarter of term ended Dec. 2017: 2,205 million yen [78.4%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First quarter of term ending Dec. 2018	25.29	25.25
First quarter of term ended Dec. 2017	33.35	32.40

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First quarter of term ending Dec. 2018	91,065	21,842	24.0	320.06
Term ended Dec. 2017	86,435	21,433	24.8	315.14

Reference: Equity
 First quarter of term ending Dec. 2018: 21,840 million yen Term ended Dec. 2017: 21,432 million yen

2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Term ended Dec. 2017	—	0.00	—	18.00	18.00
Term ending Dec. 2018	—				
Term ending Dec. 2018 (Forecast)		0.00	—	20.00	20.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for term ending December 2018 (from January 1, 2018 to December 31, 2018)

(% figures for the full term show the rate of increase (decrease) compared with the previous term, and % figures for the first two quarters show the rate of increase (decrease) compared with the same period of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
First two quarters	24,400	108.5	2,950	24.5	2,400	27.7	1,650	(12.2)	24.20
Full term	55,700	24.5	9,900	40.6	8,700	45.3	6,000	10.0	88.01

(Note) Revisions from latest earnings forecast: None

* Explanatory notes

(1) Changes in significant subsidiaries during the first quarter

(Changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: — companies (Company name) —

Excluded: — companies (Company name) —

(2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement: None

(4) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding (including treasury shares) at end of period	First quarter of term ending Dec. 2018	71,631,387 shares	Term ended Dec. 2017	71,203,387 shares
2) Number of treasury shares at end of period	First quarter of term ending Dec. 2018	3,391,700 shares	Term ended Dec. 2017	3,195,300 shares
3) Average number of shares during period	First quarter of term ending Dec. 2018	67,973,182 shares	First quarter of term ended Dec. 2017	66,174,429 shares

Note: The number of treasury shares at end of period includes ES-CON JAPAN shares held in a share-based payment benefits trust for directors and a share-based payment benefits type ESOP trust (first quarter of term ending December 2018: 543,200 shares in the share-based payment benefits trust for directors and 235,100 shares in the share-based payment benefits type ESOP trust). In the calculation of the average number of shares during period, the treasury shares to be subtracted in that calculation includes ES-CON JAPAN shares held in the share-based payment benefits trust for directors and the share-based payment benefits type ESOP trust (first quarter of term ending December 2018: 778,382 shares).

* This quarterly summary of accounts is not subject to quarterly review of certified public accountant or Audit Corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by ES-CON JAPAN. Accordingly, actual business performance and other results may differ materially due to various reasons. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see “Attachment; 1. Qualitative Information on Quarterly Results; (3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information” on page 4.

1. Qualitative Information on Quarterly Results

(1) Explanation of Operating Results

In the first quarter, the Japanese economy showed potential to maintain a moderate recovery due in part to various governmental measures amid ongoing improvement in the employment and income situation yet was also in a state of clouded outlook as it is necessary to pay attention to increasing geopolitical risks, uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

The real estate industry in which the ES-CON JAPAN Group operates held resilient and firm due in part to low interest rates from monetary easing policies, but rise in land prices, intensification of competition over land acquisitions and other factors make it a state that warrants no optimism.

In the business environment described above, we proactively developed multifaceted businesses based on the second medium-term management plan “IDEAL to REAL 2019” which started from the term ended December 2017.

In the real estate sales business, which is the core business, revenue-generating real estate sales, etc. were conducted, and steady progress was made in condominium sales, too.

In for-sale projects, projects with construction completed in the term ending December 2018 “Feel Garden Minami-Senri (Suita City, Osaka Prefecture; 214 units in total),” “Le JADE Southern Gate Toyoda (Hino City, Tokyo; 51 units in total),” and “Le JADE Kawasaki (Kawasaki City, Kanagawa Prefecture; 79 units in total) were completed and sold out, and sales of new projects “Grand Le JADE Jiyugaoka (Meguro Ward, Tokyo; 23 units in total),” etc. started while projects scheduled for completion in the term ending December 2018 “Le JADE Minamimorimachi (Kita Ward, Osaka City; 29 units in total)” and “Grand Le JADE Okamoto (Higashi-Nada Ward, Kobe City; 18 units in total)” contracted to sell out.

ES-CON JAPAN has steadily promoted diversification of business through the participation in the business as a member of condominium reconstruction association in Hirakata City, Osaka Prefecture, the launch of a land readjustment project in Koga City, Fukuoka Prefecture and such.

Furthermore, with focus placed on hotel development projects incorporating inbound tourism needs in recent years, 15 projects (1,963 guestrooms) in Sapporo, Kanazawa, Tokyo and Osaka are already under progress, and 2 projects in Chuo Ward, Osaka City and Kanazawa City, Ishikawa Prefecture started business during this term.

In this manner, with 1 project in the Tokyo metropolitan area, 6 projects in the Kinki area and 1 project in other areas in acquisitions of new business sites as the site for for-sale, land readjustment project and other multifaceted development in the first quarter, steady and proactive operations are underway.

In the real estate leasing business, efforts are being made to secure stable rental income from and enhance asset value of retail properties held by ES-CON JAPAN.

In the real estate planning agency and consulting business, focus is being placed as a business achieving high profit margins through subcontracting, planning agency and consulting and other non-assets by leveraging the planning and other strengths of ES-CON JAPAN.

A new goal to “realize the creation of new value and sustainable growth with the promotion of ESG” has been set in the growth strategy in the second medium-term management plan “IDEAL to REAL 2019” and corporate value will be enhanced from the criteria of “environment, society and governance”.

As a result, business performance for the first quarter was net sales of 18,411 million yen (up 85.7% compared with the same period of the previous year), operating income of 2,742 million yen (up 11.9% compared with the same period of the previous year), ordinary income of 2,504 million yen (up 13.9% compared with the same period of the previous year) and profit attributable to owners of parent of 1,719 million yen (up 22.1% compared with the same period of the previous year).

The following is the business performance by segment.

1) Real estate sales business

In the real estate sales business, activities included promoting condominium sales and selling real estate for sale and real estate for sale in process, resulting in net sales of 17,601 million yen (up 96.6% compared with the same period of the previous year) and segment income of 3,054 million yen (up 14.7% compared with the same period of the previous year).

2) Real estate leasing business

In the real estate leasing business, focus was placed on leasing activities and the property management business

in view of enhancement of asset value, including increase in rental income of owned revenue-generating real estate, resulting in net sales of 737 million yen (down 21.8% compared with the same period of the previous year) and segment income of 423 million yen (up 5.5% compared with the same period of the previous year).

3) Real estate planning agency and consulting business

In the real estate planning agency and consulting business, proactive efforts were made in such aspects as entrustment with planning, consulting and other services by making best use of planning and multifaceted business building abilities, resulting in net sales of 72 million yen (up 293.7% compared with the same period of the previous year) and segment income of 57 million yen (up 212.4% compared with the same period of the previous year).

(2) Explanation of Financial Position

Financial position

Assets at the end of the first quarter increased by 4,629 million yen compared with the end of the previous term to 91,065 million yen. This was mainly attributable to inventories increasing by 4,265 million yen.

Liabilities increased by 4,220 million yen compared with the end of the previous term to 69,222 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 3,986 million yen.

Net assets increased by 409 million yen compared with the end of the previous term to 21,842 million yen. This was attributable to cash dividends paid of 1,238 million yen and purchase of treasury shares of 131 million yen, yet recording profit attributable to owners of parent of 1,719 million yen. As a result, equity ratio was 24.0% (24.8% at the end of the previous term).

(3) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

The consolidated earnings forecast remains unchanged from the forecast announced on February 8, 2018.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Term ended Dec. 2017 (as of Dec. 31, 2017)	First quarter of term ending Dec. 2018 (as of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	10,667	11,877
Notes and accounts receivable - trade	497	343
Real estate for sale	4,162	4,017
Real estate for sale in process	60,057	64,468
Supplies	0	0
Other	5,118	4,352
Total current assets	80,504	85,061
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,476	1,488
Accumulated depreciation	(410)	(422)
Buildings and structures, net	1,066	1,065
Land	623	623
Other	147	143
Accumulated depreciation	(107)	(101)
Other, net	39	41
Total property, plant and equipment	1,729	1,729
Intangible assets		
Other	28	26
Total intangible assets	28	26
Investments and other assets		
Other	4,177	4,252
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	4,173	4,248
Total non-current assets	5,930	6,004
Total assets	86,435	91,065

(Unit: million yen)

	Term ended Dec. 2017 (as of Dec. 31, 2017)	First quarter of term ending Dec. 2018 (as of Mar. 31, 2018)
Liabilities		
Current liabilities		
Short-term loans payable	1,953	1,492
Current portion of long-term loans payable	22,462	25,185
Current portion of bonds	40	40
Income taxes payable	467	706
Other	7,740	7,739
Total current liabilities	32,664	35,164
Non-current liabilities		
Bonds payable	110	290
Long-term loans payable	31,874	33,418
Provision for directors' share-based benefits	82	82
Provision for share-based benefits	18	19
Asset retirement obligations	93	97
Other	158	149
Total non-current liabilities	32,337	34,058
Total liabilities	65,002	69,222
Net assets		
Shareholders' equity		
Capital stock	6,224	6,258
Capital surplus	1,953	1,987
Retained earnings	14,322	14,803
Treasury shares	(1,089)	(1,220)
Total shareholders' equity	21,411	21,829
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	11
Total accumulated other comprehensive income	20	11
Subscription rights to shares	1	1
Total net assets	21,433	21,842
Total liabilities and net assets	86,435	91,065

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)

(Unit: million yen)

	First quarter of term ended Dec. 2017 (from Jan. 1, 2017 to Mar. 31, 2017)	First quarter of term ending Dec. 2018 (from Jan. 1, 2018 to Mar. 31, 2018)
Net sales	9,915	18,411
Cost of sales	6,698	13,859
Gross profit	3,217	4,551
Selling, general and administrative expenses	766	1,809
Operating income	2,451	2,742
Non-operating income		
Interest income	0	0
Penalty income	8	0
Other	0	0
Total non-operating income	9	1
Non-operating expenses		
Interest expenses	257	237
Other	3	1
Total non-operating expenses	261	239
Ordinary income	2,199	2,504
Extraordinary income		
Gain on sales of non-current assets	11	—
Gain on reversal of subscription rights to shares	—	0
Total extraordinary income	11	0
Extraordinary losses		
Loss on retirement of non-current assets	0	4
Total extraordinary losses	0	4
Profit before income taxes	2,210	2,499
Income taxes - current	18	678
Income taxes - deferred	(14)	101
Total income taxes	3	780
Profit	2,206	1,719
Profit attributable to owners of parent	2,206	1,719

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	First quarter of term ended Dec. 2017 (from Jan. 1, 2017 to Mar. 31, 2017)	First quarter of term ending Dec. 2018 (from Jan. 1, 2018 to Mar. 31, 2018)
Profit	2,206	1,719
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	(8)
Total other comprehensive income	(1)	(8)
Comprehensive income	2,205	1,710
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,205	1,710
Comprehensive income attributable to non-controlling interests	—	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

In the first quarter, there were share-based payments of 100 shares to eligible parties from the share-based payment benefits type ESOP trust. In addition, purchase of treasury shares of 196,500 shares was made by resolution at the meeting of the board of directors held on December 1, 2017. As a result, treasury shares increased by 131 million yen, resulting in treasury shares at the end of the first quarter of 1,220 million yen.

(Segment Information, etc.)

[Segment Information]

I. First Quarter of Term Ended December 2017 (from January 1, 2017 to March 31, 2017)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	8,954	943	18	9,915	—	9,915
Intersegment net sales or transfers	—	—	—	—	—	—
Total	8,954	943	18	9,915	—	9,915
Segment income	2,662	401	18	3,082	(631)	2,451

(Note 1) The reconciliation of segment income of -631 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

(Note 2) Segment income is reconciled with operating income on the quarterly consolidated statement of income.

2. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

Not applicable.

II. First Quarter of Term Ending December 2018 (from January 1, 2018 to March 31, 2018)

1. Information on Net Sales and Income or Loss Amounts by Reporting Segment

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	17,601	737	72	18,411	—	18,411
Intersegment net sales or transfers	—	—	—	—	—	—
Total	17,601	737	72	18,411	—	18,411
Segment income	3,054	423	57	3,536	(793)	2,742

(Note 1) The reconciliation of segment income of -793 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

(Note 2) Segment income is reconciled with operating income on the quarterly consolidated statement of income.

2. Information on Impairment Loss on Non-Current Assets or Goodwill, etc. by Reporting Segment

Not applicable.

3. Other

Status of Contracts and Sales

The performance of contracts in the real estate sales business for the first quarter is as follows:

Classification	First quarter of term ending Dec. 2018 (from Jan. 1, 2018 to Mar. 31, 2018)			
	Contract amount during the period		Balance of contracts at the end of the period	
	Number of units (units)	Amount (million yen)	Number of units (units)	Amount (million yen)
Mid- to high-rise housing, etc.	86	4,218	121	6,285
Other	—	4,940	—	4,878
Total	86	9,158	121	11,164

(Note) The above amounts do not include consumption tax, etc.

The main performance of sales by segment for the first quarter is as follows:

Name of segment	First quarter of term ending Dec. 2018 (from Jan. 1, 2018 to Mar. 31, 2018)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	294	12,404
	Horikawashinmachi, Kanazawa-shi	—	2,030
	Minami-Senba III, Chuo-ku	—	1,850
	5-chome, Sendagaya, Shibuya-ku	—	1,317
	Subtotal		17,601
Real estate leasing business			737
Real estate planning agency and consulting business			72
	Total		18,411

(Note 1) There are no transactions between segments.

(Note 2) The above amounts do not include consumption tax, etc.