



Summary of Accounts for First Quarter of Term Ending December 2019 (Japanese GAAP) (Consolidated)

May 8, 2019

Name of listed company: ES-CON JAPAN Ltd. Listing exchange: Tokyo Stock Exchange
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 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 2019 (from January 1, 2019 to March 31, 2019)

(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. 2019	19,485	5.8	3,246	18.4	2,914	16.4	2,012	17.1
First quarter of term ended Dec. 2018	18,411	85.7	2,742	11.9	2,504	13.9	1,719	(22.1)

Note: Comprehensive income
 First quarter of term ending Dec. 2019: 2,018 million yen [18.0%] First quarter of term ended Dec. 2018: 1,710 million yen [-22.4%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First quarter of term ending Dec. 2019	29.42	29.35
First quarter of term ended Dec. 2018	25.29	25.25

(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. 2019	115,474	27,193	23.5	397.13
Term ended Dec. 2018	109,747	27,359	24.9	400.47

Reference: Equity
 First quarter of term ending Dec. 2019: 27,192 million yen Term ended Dec. 2018: 27,358 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. 2018	—	0.00	—	32.00	32.00
Term ending Dec. 2019	—				
Term ending Dec. 2019 (Forecast)		0.00	—	35.00	35.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for term ending December 2019 (from January 1, 2019 to December 31, 2019)

(% 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	30,500	23.8	6,200	68.2	5,600	76.2	3,800	76.9	55.51
Full term	74,800	37.7	12,500	8.1	11,200	6.7	7,800	7.9	113.95

(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 (Companyname) —

Excluded: — companies (Companyname) —

(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. 2019	71,806,887 shares	Term ended Dec. 2018	71,649,387 shares
2) Number of treasury shares at end of period	First quarter of term ending Dec. 2019	3,334,900 shares	Term ended Dec. 2018	3,334,900 shares
3) Average number of shares during period	First quarter of term ending Dec. 2019	68,398,292 shares	First quarter of term ended Dec. 2018	67,973,182 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 2019: 487,200 shares in the share-based payment benefits trust for directors and 234,300 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 2019: 721,500 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 5.

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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 despite some weakness seen in exports and production, due in part to various governmental measures proving effective amid ongoing improvement in the employment and income situation. The economic outlook remains clouded, however, as the situation calls for attention to the impact of U.S.-China trade friction on the world economy, downside risks in the Chinese economy, uncertainties in overseas economies including Brexit and the effects of fluctuation in the financial and capital markets, among other factors.

The real estate industry in which the ES-CON JAPAN Group operates held firm due in part to low interest rates from monetary easing policies, but the situation warrants no optimism because of such factors as a rise in land prices, intensified competition in acquiring land, the risk of higher interest rates and the consumption tax rate hike.

In the business environment described above, we are proactively developing multifaceted businesses in the current fiscal period (fiscal period ending December 2019) as the final fiscal year of the second medium-term management plan "IDEAL to REAL 2019" which started from the fiscal year ended December 2017.

1) Listing of ESCON JAPAN REIT Investment Corporation

Investment units issued by ESCON JAPAN REIT Investment Corporation (hereinafter "ESCON REIT"), of which asset management is entrusted to ES-CON Asset Management Ltd., the consolidated subsidiary of ES-CON JAPAN, listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market in February 2019. ESCON REIT is a diversified J-REIT which mainly invests in "everyday life-based" commercial facilities closely associated with their local communities and in land with leasehold interest for such commercial facilities.

ES-CON JAPAN Group intends to fully support enhancement of earnings and stable growth of ESCON REIT as a sponsor and aims for further growth. In addition, Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power") is a support company of ESCON REIT.

2) Establishment of Nagoya Branch

ES-CON JAPAN concluded a business partnership agreement with Chubu Electric Power in August 2018 and established a Nagoya branch in March 2019. ES-CON JAPAN will conduct business to satisfy local customers and contribute to regional revitalization of the Chubu region as an important business area comparable to the Tokyo metropolitan area and the Kansai region by mutually utilizing the overwhelmingly wide customer base of Chubu Electric Power and Chuden Real Estate Co., Inc. of the Chubu Electric Power Group in the Chubu region along with the real estate development capabilities of ES-CON JAPAN.

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 the real estate sales business, sales of new projects "Le JADE Tsujido Higashi Kaigan (Fujisawa City, Kanagawa Prefecture; 51 units in total)," "Grand Le JADE Todoroki (Setagaya Ward, Tokyo; 43 units in total)," "Le JADE Ikeda Masumicho (Ikeda City, Osaka Prefecture; 35 units in total)," "Le JADE Kotoen (Nishinomiya City, Hyogo Prefecture; 49 units in total)," etc. started while "Le JADE Sumakaihin Koen (Suma Ward, Kobe City; 30 units in total)" scheduled for completion in the current fiscal year and "Le JADE Kuzuha (Hirakata City, Osaka Prefecture; 78 units in total)" scheduled for completion in the next fiscal year are contracted to sell out.

In the commercial development business, ES-CON JAPAN acquired "Tsukuba Q't" and "Tsukuba MOG" in December 2018 and "Tsukuba Creo" in March 2019, which are commercial facilities in Tsukuba City, Ibaraki Prefecture. Utilizing multifaceted real estate development expertise accumulated to date, ES-CON JAPAN will promote Tsukuba Station-front development through utilizing the three facilities enabled to contribute to the local area in an integrated manner.

Furthermore, in the logistics development business, ES-CON JAPAN launched a new logistics facility brand "LOGITRES." Moreover, as a new business, ES-CON JAPAN started development of its overseas business by making a commitment to a Hawaii-focused closed-end real estate investment fund. ES-CON JAPAN is steadily promoting diversification of its business including endeavors on developing new business fields with an eye on the next era and globalization.

As such, ES-CON JAPAN conducted business operations in a steady and proactive manner, acquiring new business sites and a commercial facility for 2 projects in the Tokyo metropolitan area and 3 projects in the Kinki area in the first quarter, to be used as the site for for-sale, commercial and other multifaceted development.

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.

As a result, ES-CON JAPAN achieved net sales of 19,485 million yen (up 5.8%), operating income of 3,246 million yen (up 18.4%), ordinary income of 2,914 million yen (up 16.4%) and profit attributable to owners of parent of 2,012 million yen (up 17.1%) for the first quarter, all compared with the same period of the previous year.

The following describes the operating results by each segment, with figures compared with the same period of the previous year.

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 18,276 million yen (up 3.8%) and segment income of 3,380 million yen (up 10.7%).

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 1,190 million yen (up 61.5%) and segment income of 800 million yen (up 89.1%).

3) Real estate planning agency and consulting business

In the real estate planning agency and consulting business, although proactive efforts were made in such aspects as entrustment with planning, consulting and other services by making the best use of planning and multifaceted business building abilities, it resulted in net sales of 17 million yen (down 76.2%) and segment income of 17 million yen (down 70.2%).

(2) Explanation of Financial Position

ES-CON JAPAN has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan "ASBJ" Statement No. 28; February 16, 2018) since the beginning of the consolidated accounting period for the first quarter, and its financial position is analyzed through comparison with the previous consolidated accounting fiscal year based on figures arrived at through retroactive application of the accounting standard, etc.

Assets at the end of the first quarter increased by 5,727 million yen compared with the end of the previous term to 115,474 million yen. This was mainly attributable to inventories increasing by 3,170 million yen.

Liabilities increased by 5,893 million yen compared with the end of the previous term to 88,280 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 6,118 million yen.

Net assets decreased by 166 million yen compared with the end of the previous term to 27,193 million yen. This was attributable to cash dividends paid of 2,209 million yen albeit recording profit attributable to owners of parent of 2,012 million yen. As a result, equity ratio was 23.5% (24.9% 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, 2019.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Term ended Dec. 2018 (as of Dec. 31, 2018)	First quarter of term ending Dec. 2019 (as of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	16,598	18,703
Notes and accounts receivable - trade	491	407
Real estate for sale	15,308	3,558
Supplies	65,890	80,810
Other	6,353	6,369
Total current assets	104,642	109,851
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,459	1,483
Accumulated depreciation	(462)	(475)
Buildings and structures, net	997	1,008
Land	623	623
Other	151	178
Accumulated depreciation	(113)	(118)
Other, net	38	59
Total property, plant and equipment	1,658	1,690
Intangible assets		
Other	30	28
Total intangible assets	30	28
Investments and other assets		
Other	3,453	3,941
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	3,415	3,903
Total non-current assets	5,104	5,623
Total assets	109,747	115,474

(Unit: million yen)

	Term ended Dec. 2018 (as of Dec. 31, 2018)	First quarter of term ending Dec. 2019 (as of Mar. 31, 2019)
Liabilities		
Current liabilities		
Short-term loans payable	1,720	2,916
Current portion of long-term loans payable	23,993	29,447
Current portion of bonds	40	40
Income taxes payable	1,448	895
Asset retirement obligations	33	33
Other	9,973	10,304
Total current liabilities	37,210	43,638
Non-current liabilities		
Bonds payable	270	250
Long-term loans payable	44,568	44,057
Provision for directors' share-based benefits	97	97
Provision for share-based benefits	30	30
Asset retirement obligations	77	83
Other	132	123
Total non-current liabilities	45,176	44,642
Total liabilities	82,387	88,280
Net assets		
Shareholders' equity		
Capital stock	6,259	6,272
Capital surplus	1,988	2,001
Retained earnings	20,310	20,113
Treasury shares	(1,207)	(1,207)
Total shareholders' equity	27,352	27,180
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	11
Total accumulated other comprehensive income	6	11
Subscription rights to shares	1	1
Total net assets	27,359	27,193
Total liabilities and net assets	109,747	115,474

(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. 2018 (from Jan. 1, 2018 to Mar. 31, 2018)	First quarter of term ending Dec. 2019 (from Jan. 1, 2019 to Mar. 31, 2019)
Net sales	18,411	19,485
Cost of sales	13,859	14,907
Gross profit	4,551	4,577
Selling, general and administrative expenses	1,809	1,331
Operating income	2,742	3,246
Non-operating income		
Interest income	0	0
Penalty income	0	3
Other	0	0
Total non-operating income	1	3
Non-operating expenses		
Interest expenses	237	332
Other	1	3
Total non-operating expenses	239	336
Ordinary income	2,504	2,914
Extraordinary income		
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	4	—
Total extraordinary losses	4	—
Profit before income taxes	2,499	2,914
Income taxes - current	678	851
Income taxes - deferred	101	49
Total income taxes	780	901
Profit	1,719	2,012
Profit attributable to owners of parent	1,719	2,012

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	First quarter of term ended Dec. 2018 (from Jan. 1, 2018 to Mar. 31, 2018)	First quarter of term ending Dec. 2019 (from Jan. 1, 2019 to Mar. 31, 2019)
Profit	1,719	2,012
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	5
Total other comprehensive income	(8)	5
Comprehensive income	1,710	2,018
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	1,710	2,018
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)

Not applicable.

(Notes on Additional information)

ES-CON JAPAN has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan "ASBJ" Statement No. 28; February 16, 2018) since the beginning of the consolidated accounting period for the first quarter, and deferred tax assets is indicated under the classification of other assets.

(Segment Information, etc.)

[Segment Information]

I. 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.

II. First Quarter of Term Ending December 2019 (from January 1, 2019 to March 31, 2019)

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	18,276	1,190	17	19,485	—	19,485
Intersegment net sales or transfers	—	—	—	—	—	—
Total	18,276	1,190	17	19,485	—	19,485
Segment income	3,380	800	17	4,198	(952)	3,246

(Note 1) The reconciliation of segment income of -952 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

Performance 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. 2019 (from Jan. 1, 2019 to Mar. 31, 2019)			
	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.	221	9,633	615	25,786
Other	—	220	—	15,130
Total	221	9,854	615	40,917

(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. 2019 (from Jan. 1, 2019 to Mar. 31, 2019)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	51	2,428
	Kita-Nagoya Pare Marche Nishiharu	—	4,610
	Asumigaoka Brand-New Mall	—	3,200
	K's Denki Oyumino shop	—	2,710
	Nagahoribashi Ekimae	—	2,100
	Kobe-shi Nishi-ku Mitani	—	1,430
	Daisen-nishi Commercial II, Sakai-shi	—	946
	Nishishiroi Ekimae	—	451
	Fukuoka Kasuga	—	401
	Subtotal		18,276
Real estate leasing business			1,190
Real estate planning agency and consulting business			17
	Total		19,485

(Note 1) There are no transactions between segments.

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