



Summary of Accounts for First Three Quarters of Fiscal Year Ending December 2020  
(Japanese GAAP) (Consolidated)

October 29, 2020

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 three quarters of fiscal year ending December 2020  
(from January 1, 2020, to September 30, 2020)

(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 three quarters of fiscal year ending Dec.2020	64,927	41.4	11,271	31.3	10,475	35.6	7,243	37.9
First three quarters of fiscal year ended Dec. 2019	45,923	27.5	8,586	28.5	7,722	30.7	5,252	30.7

Note: Comprehensive income

First three quarters of fiscal

year ending Dec. 2020: 7,047 million yen [30.1%]

First three quarters of fiscal

year ended Dec. 2019: 5,417 million yen [35.1%]

	Basic earnings per share	Diluted earnings per share
	yen	yen
First three quarters of fiscal year ending Dec.2020	105.84	105.73
First three quarters of fiscal year ended Dec. 2019	76.74	76.59

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First three quarters of fiscal year ending Dec.2020	136,843	38,093	27.8	555.97
Fiscal year ended Dec. 2019	132,696	33,546	25.3	490.08

Reference: Equity

First three quarters of fiscal

year ending Dec. 2020: 38,091 million yen

Fiscal year ended Dec.

2019: 33,544 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
Fiscal year ended Dec. 2019	—	0.00	—	36.00	36.00
Fiscal year ending Dec. 2020	—	0.00	—	—	—
Fiscal year ending Dec. 2020 (Forecast)	—	—	—	38.00	38.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for fiscal year ending December 2020 (from January 1, 2020, to December 31, 2020)  
 (% figures for the full fiscal year show the rate of increase (decrease) compared with the previous period)

	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
Full fiscal year	86,000	19.3	13,300	3.0	12,300	4.1	8,500	4.2	124.17

(Note) Revisions from latest earnings forecast: None

\* Explanatory notes

(1) Changes in significant subsidiaries during the first three quarters

(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 three quarters of fiscal year ending Dec. 2020	71,941,887 shares	Fiscal year ended Dec. 2019	71,841,887 shares
2) Number of treasury shares at end of period	First three quarters of fiscal year ending Dec. 2020	3,428,400 shares	Fiscal year ended Dec. 2019	3,394,700 shares
3) Average number of shares during period (cumulative total of first three quarters)	First three quarters of fiscal year ending Dec. 2020	68,438,208 shares	First three quarters of fiscal year ended Dec. 2019	68,437,040 shares

Note: The number of treasury shares at end of period includes shares of ES-CON JAPAN held in a share-based payment benefits trust for directors and a share-based payment benefits-type ESOP trust (first three quarters of fiscal year ending December 2020: 851,000 shares in the share-based payment benefits trust for directors and 233,000 shares in the share-based payment benefits-type ESOP trust). In the calculation of the average number of shares during period (cumulative total of first three quarters), the treasury shares to be subtracted in that calculation includes shares of ES-CON JAPAN held in the share-based payment benefits trust for directors and the share-based payment benefits-type ESOP trust (first three quarters of fiscal year ending December 2020: 905,191 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; (4) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information" on page 6.

○ Contents of Attachment

1. Qualitative Information on Quarterly Results .....	2
(1) Business Risks .....	2
(2) Explanation of Operating Results .....	2
(3) Explanation of Financial Position .....	6
(4) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information.....	6
2. Quarterly Consolidated Financial Statements and Key Notes .....	7
(1) Quarterly Consolidated Balance Sheet.....	7
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income....	9
(Quarterly Consolidated Statement of Income).....	9
(Quarterly Consolidated Statement of Comprehensive Income).....	10
(3) Notes to Quarterly Consolidated Financial Statements .....	11
(Notes on Going Concern Assumption).....	11
(Notes on Substantial Changes in the Amount of Shareholders' Equity) .....	11
(Additional Information).....	11
(Segment Information, Etc.) .....	13
(Significant Subsequent Events).....	14
3. Other .....	15
Status of Contracts and Sales .....	15

## Attachment

### 1. Qualitative Information on Quarterly Results

#### (1) Business Risks

The following is the business risks that newly arose in the first three quarters. The statements concerning future matters are the judgement of ES-CON JAPAN Group (ES-CON JAPAN and its consolidated subsidiaries) as of the end of the third quarter of the fiscal year ending December 2020.

Although the COVID-19 pandemic has somewhat subsided, its impact on the economy is still grave. As concerns over possible second and third waves of infections remain, it is extremely difficult to foresee the future real estate market trends. If the pandemic continues over a long term, the economy is expected to further deteriorate. In such a case, the operating results, financial position, and status of cash flow of ES-CON JAPAN Group may be materially impacted due to posting of appraisal loss of inventories and impairment loss, etc.

Possible risks in business segments are as follows.

#### 1) Condominium sales

In the condominium sales business, although the number of visitors to showrooms dropped significantly during the state of emergency causing a slowdown of sales, the number picked up gradually after the state of emergency was lifted. Current situation indicates actual demand for housing under the pandemic remaining stronger than expected. However, since it is possible that unstable economic trends brought by prolonged pandemic may slow down sales, the future remains unpredictable.

#### 2) Real estate (other) sales business

There is a risk of possible decrease in real estate prices due to a reduced appetite for investment among investors, the worsening of the financing environment resulting from financial contraction, and other factors.

#### 3) Retail properties

ES-CON JAPAN Group owns and manages retail properties centering on community-based shopping centers with supermarkets as the core tenant. Supermarkets, drug stores, etc. selling daily essentials continued operations during the state of emergency and have posted sales exceeding 100% year on year. However, other tenants, such as restaurants, apparel shops and sports clubs, have seen a slow return of customers and are still facing difficulty in business operation. As such, there is a risk of possible decrease in planned real estate leasing income due to rent reduction requests, uncollected rents of bankrupted tenants, difficulty in soliciting new tenants, etc.

#### 4) Hotels

ES-CON JAPAN has been promoting hotel development projects in recent years, and has completed sales for 15 out of its 17 projects. As to the 2 projects underway (Fukuoka City Project opened in March 2020 and Osaka City Project to open in January 2021), there is a risk of possible delay in the sales period or decrease in sales prices due to the sluggish occupancy rate and difficulty in predicting the time needed for recovery.

While having adopted telework and off-peak commuting, ES-CON JAPAN Group will continue to thoroughly implement measures to prevent the spread of COVID-19, such as mask-wearing, hand-washing, sanitizing hands with alcohol and avoiding three Cs (closed spaces, crowded places, close-contact settings).

#### (2) Explanation of Operating Results

In the first three quarters, the Japanese economy was significantly impacted by the COVID-19. While gradual increase of socioeconomic activities with measures in place to prevent the spread of infection is underway, recovery is slow and possible second and third waves have also been of concern. As such, the outlook is extremely clouded with uncertain economic trends in Japan and abroad, fluctuation in the financial and capital markets, etc.

In the real estate industry in which the ES-CON JAPAN Group operates, the future impact of COVID-19 on the real estate market is extremely difficult to predict.

Given the business environment described above, we have decided in July 2020 to review the third medium-term management plan "IDEAL to REAL 2022" with a period of three years from the fiscal year ending December 2020 to the fiscal year ending December 2022, and have withdrawn the plan. Despite being in an environment with an unforeseeable future, we will assuredly make strategic moves towards expansion of new business fields and sustainable growth by taking the current situation as an opportunity to develop our business.

1) Status of Implementation of Growth Strategy of ESCON JAPAN REIT Investment Corporation

As one of the growth strategies of ESCON JAPAN REIT Investment Corporation (hereinafter the “EJR”), of which asset management is entrusted to ES-CON Asset Management Ltd. (hereinafter the “EAM”), a consolidated subsidiary of ES-CON JAPAN, a support agreement was concluded among three companies, namely Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”), EJR and EAM, in September 2019. ES-CON JAPAN transferred real estate for sale (tonarie Yamatotakada (50% interest), tonarie Toga-Mikita (50% interest), commercial leasehold land in Omihachiman City, Shiga, commercial leasehold land in Muko City, Kyoto, and commercial leasehold land in Ikoma-gun, Nara) to Chuden Real Estate in February 2020, utilizing temporary warehousing functions, under a precondition to transfer the real estate to EJR based on the support agreement. In February 2020, EJR conducted its first public offering after listing, and its asset size increased from 41.6 billion yen upon listing to 51.9 billion yen after the public offering, steadily expanding the asset size. ES-CON JAPAN Group fully supports enhancement of earnings and stable growth of EJR as its sponsor and aims for further growth.

2) Status of Demonstration of Synergy Effect with Chubu Electric Power Group

ES-CON JAPAN concluded a capital and business partnership agreement with Chubu Electric Power Co., Inc. in August 2018 to position the Chubu region as a core business area comparable to the Tokyo metropolitan area and the Kansai region, and established a Nagoya branch in March 2019. Following the establishment, ES-CON JAPAN has acquired new land for business use for four projects in the Chubu Region. Furthermore, as a joint project with Chuden Real Estate, ES-CON JAPAN will launch condominium/commercial development projects in Ichinomiya City, Aichi Prefecture, Kakegawa City, Shizuoka Prefecture and Suita City, Osaka Prefecture. Through such, ES-CON JAPAN intends to develop businesses that can satisfy local residents by demonstrating synergy while continuing to strengthen its partnership with each group company of Chubu Electric Power.

3) Participation in Hokkaido Ballpark Project and Acquisition of Naming Rights for New Ballpark

With regard to the naming rights for the new ballpark of the Hokkaido Nippon-Ham Fighters planned to be established and opened in 2023 in Kitahiroshima City, Hokkaido, ES-CON JAPAN concluded a ballpark naming rights agreement with Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. and Fighters Sports & Entertainment Co., Ltd., which manages the entire HOKKAIDO BALLPARK F VILLAGE and owns/operates the ballpark, in January 2020.

The name of the new ballpark will be “ES CON FIELD HOKKAIDO.” The area surrounding the ballpark is an important base as a planned site for a sports park in Kitahiroshima City and is part of a large-scale development area for HOKKAIDO BALLPARK F VILLAGE (total development area: approx. 36.7 ha) with construction of a new station also planned. ES-CON JAPAN is scheduled to participate in the development of various real estate in the area such as a hotel on the land of approximately 9,400 m<sup>2</sup> adjoining the ballpark as well as urban development. Having opened its Hokkaido branch in September 2020, ES-CON JAPAN will seize this opportunity to also start supporting sports, cultural promotion, etc. for the happiness of the residents of Hokkaido and contribute to revitalization and development of the entire community.

4) Status of Initiatives for New Businesses

Under the circumstances in which the Amended Immigration Control Act, which newly accepts the status of residence in some business types, was enforced in April 2019 and improvement in the working environment for foreign workers has progressed against the backdrop of a serious labor shortage, ES-CON JAPAN established, as part of its ESG management, “ES-CON Global Works Ltd.,” a consolidated subsidiary engaged in the employment placement business, to help solve such social issues and launched employment placement services for foreigners specializing in the restaurant industry, accommodation industry, and building-cleaning as well as an overseas expansion consulting business in March 2020.

In addition, in April 2020, ES-CON JAPAN invested in SQUEEZE Inc., which develops systems for hotel operation and conducts a hotel operation business. While ES-CON JAPAN cautiously engages in hotel development projects under the COVID-19 pandemic, it aims to strengthen its real estate operation business and diversify its other businesses to prepare for future recovery of inbound tourists.

Furthermore, with an intention to establish a private real estate investment corporation (private REIT) and launch its operation in fiscal 2021 entrusting the asset management to EAM, ES-CON JAPAN formed a private fund that

manages rental apartments in September 2020 in collaboration with NISSHIN FUDOSAN Co., Ltd.

In addition, ES-CON JAPAN passed a resolution to newly launch a business to sell, operate, and manage a columbarium in around October 2020 to solve issues in modern society, such as shortage of burial grounds due to the large number of deaths resulting from aging population, the situation where there will be nobody to look after graves due to small families with fewer children, and particularly, the situation where having a grave located in central Tokyo is extremely difficult.

ES-CON JAPAN will continue to challenge new business fields, and aim for sustainable growth of the entire group.

5) Overseas Investment Business

In March 2019, ES-CON JAPAN made a commitment to invest in a Hawaii-focused, closed-end real estate investment fund as its new overseas business. In July 2019, ES-CON JAPAN established its subsidiary ESCON JAPAN (Thailand) CO., LTD. in Thailand, and participated in a condominium joint development project in Bangkok. ESCON JAPAN is steadily developing its overseas business through efforts such as committing to new investment in a California-focused, closed-end real estate investment fund in March 2020.

6) Status of ESG Initiatives

ES-CON JAPAN has set “Address social issues through promotion of ESG initiatives” as one of its corporate strategies. As part of such activities, ES-CON JAPAN is providing a monetary donation to Kyoto University’s “iPS Cell Research Fund” to support activities realizing early and inexpensive treatment using iPS cells for those suffering from diseases and accidents, in addition to initiatives in new businesses which will contribute to regional revitalization and help solve social issues.

In addition, in March 2020, ES-CON JAPAN realized fund procurement through an “ESG/SDGs assessment-based loan” provided by Sumitomo Mitsui Banking Corporation. Of the project funds of the syndicate loan arranged by Sumitomo Mitsui Banking Corporation to fund the Fujishirodai 5-Chome project (joint project with Chuden Real Estate) whose site was acquired in March 2020, three billion yen was procured through the “ESG/SDGs assessment-based loan” upon earning a rank of A\*, the third-best ranking among the seven rankings, indicating that “good ESG/SDG initiatives and information disclosure have been conducted.”

In May 2020, ES-CON JAPAN acquired EcoAction 21 Certification, a Japanese environmental management system (EMS) established by the Ministry of the Environment. EcoAction 21 is an EMS for proactive, effective environmental management including reduction of CO2 emissions, and EMS activities aim for continuous efforts based on the PDCA cycle. By continuing to conduct environmentally friendly management through EcoAction 21 initiatives, companies are expected to fulfill their social responsibility to reduce environmental burden while such activities also bring benefits to management, such as cost reduction and improved productivity, and contribute to the enhancement of corporate value.

In July 2020, tonarie Yamatotakada and tonarie Toga-Mikita, retail properties developed by ES-CON JAPAN and currently owned by EJRC, obtained DBJ Green Building Certification (a certification system created by the Development Bank of Japan (hereinafter the “DBJ”) in April 2011 to support real estate properties with environmental and social awareness (“Green Building”)) from DBJ.

Furthermore, in July 2020, Soyoca Fujimino, a retail property owned by ES-CON JAPAN, obtained “Rank S,” the highest mark of CASBEE for real estate from a CASBEE\* accreditation body authorized by Institute for Building Environment and Energy Conservation.

\*CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a system to comprehensively assess the quality of a building, which evaluates and ranks the environmental performance of the building by taking into account not only environmental considerations such as energy savings and use of environmentally-friendly materials, but also comfort in the building, and its visual impact on the area.

Furthermore, in terms of governance, ES-CON JAPAN established the “Nomination and Remuneration Advisory Committee” in January 2020 with an aim to strengthen the independence and objectivity of functions as well as the accountability of the board of directors with regard to nomination and remuneration of directors. ES-CON JAPAN also launched initiatives for a succession plan called the candidate successor system.

ES-CON JAPAN will continue with steady implementation of ESG management as an important management strategy, and make proactive efforts with an aim to achieve sustainable growth of ES-CON JAPAN Group.

7) Business Development by Segment

In the real estate sales business, our core business, we conducted revenue-generating real estate sales, etc., in addition to achieving progress in condominium sales.

In the real estate sales business, sales of new projects “Le JADE Mukonosu Honmachi (Amagasaki City, Hyogo Prefecture; 33 units in total),” “Le JADE Nagai Koen Dori (Sumiyoshi Ward, Osaka City; 108 units in total),” “Le JADE Senri Aoyamadai (Suita City, Osaka Prefecture; 152 units in total),” “Le JADE Senri Furuedai (Suita City, Osaka Prefecture; 71 units in total),” etc. started while “Le JADE Kuzuha (Hirakata City, Osaka Prefecture; 78 units in total),” “Le JADE Kotoen (Nishinomiya City, Hyogo Prefecture; 49 units in total)” “Le JADE Higashisumiyoshi Imagawa Ryokudo (Higashisumiyoshi Ward, Osaka City; 41 units in total)” and “Le JADE Toyoda Master Hills (Hino City, Tokyo; 63 units in total)” were sold out upon completion and “Le JADE Morinomiya (Higashinari Ward, Osaka City; 45 units in total),” which is scheduled for completion in the current fiscal year, and “Le JADE Nishiakashi (Akashi City, Hyogo Prefecture; 77 units in total),” which is scheduled for completion in the next fiscal year, are contracted to sell out.

Furthermore, in order to develop multifaceted businesses not only in Fukuoka Prefecture but also across Kyushu going forward, EC-CON JAPAN changed the name of Fukuoka branch to “Kyushu branch” in September 2020 and is determined to acquire new land for business use in the Kyushu area as well.

In businesses other than the real estate sales business, sales of “LOGITRES Tojo (Kato City, Hyogo Prefecture)” (a logistics development project), “Honjo-Nishi, Kita-ku,” “Matsubara, Setagaya-ku” and “Daikyocho, Shinjuku-ku” (all revenue-generating real estate); and transfer of commercial facilities and commercial leasehold lands to EJR and Chuden Real Estate have been completed.

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

In the real estate planning agency and consulting business, focus is placed on being 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 64,927 million yen (up 41.4%), operating income of 11,271 million yen (up 31.3%), ordinary income of 10,475 million yen (up 35.6%) and profit attributable to owners of parent of 7,243 million yen (up 37.9%) for the first three quarters, 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 selling condominiums and revenue-generating real estate, and resulted in net sales of 60,686 million yen (up 44.3%) and segment income of 12,886 million yen (up 44.3%), despite the ongoing spread of COVID-19.
  - 2) Real estate leasing business  
In the real estate leasing business, although 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, such efforts resulted in net sales of 4,067 million yen (up 10.7%) and segment income of 1,752 million yen (down 24.5%).
  - 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 173 million yen (down 13.6%) and segment income of 100 million yen (down 31.9%).
- (3) Explanation of Financial Position
- Assets at the end of the first three quarters increased by 4,146 million yen compared with the end of the previous fiscal year to 136,843 million yen. This was mainly attributable to cash and deposits and property, plant and equipment increasing by 2,357 million yen and 1,522 million yen, respectively, and inventories decreasing by 537 million yen.
- Liabilities decreased by 399 million yen compared with the end of the previous fiscal year to 98,749 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 2,520 million yen, and income taxes payable decreasing by 2,233 million yen.
- Net assets increased by 4,546 million yen compared with the end of the previous fiscal year to 38,093 million yen. This was attributable to cash dividends paid of 2,490 million yen, while recording profit attributable to owners of parent of 7,243 million yen. As a result, the equity ratio was 27.8% (25.3% at the end of the previous fiscal year).
- (4) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information
- The consolidated earnings forecast remains unchanged from the forecast announced on January 30, 2020. However, the impact of COVID-19 on the real estate market in the future is extremely difficult to predict. While progress mostly in line with the forecast was seen for the first three quarters, we will be discussing the forecast alongside carefully watching the business environment, business progress, and such going forward. When revision of the forecast becomes necessary as a result, we will promptly make an announcement.
- As mentioned above, we will review the current third medium-term management plan "IDEAL to REAL 2022" since there is a significant difference between the initial assumptions and the current economic conditions. The revised plan will be announced promptly once resetting of the assumptions becomes possible.
- In addition, under the circumstances where making predictions for the future is extremely difficult, we have reviewed the progressive dividend policy in order to prioritize accumulation of internal reserve.



2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2019 (as of Dec. 31, 2019)	Third quarter of fiscal year ending Dec. 2020 (as of Sept. 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	22,511	24,868
Notes and accounts receivable - trade	598	681
Real estate for sale	24,234	8,120
Real estate for sale in process	59,619	75,196
Other	7,173	6,922
Total current assets	114,137	115,789
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,216	4,342
Accumulated depreciation	(566)	(805)
Buildings and structures, net	2,649	3,537
Land	10,621	11,262
Other	295	333
Accumulated depreciation	(132)	(176)
Other, net	163	157
Total property, plant and equipment	13,433	14,956
Intangible assets		
Goodwill	436	363
Other	56	73
Total intangible assets	492	437
Investments and other assets		
Other	4,670	5,697
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	4,632	5,659
Total non-current assets	18,558	21,054
Total assets	132,696	136,843

(Unit: million yen)

	Fiscal year ended Dec. 2019 (as of Dec. 31, 2019)	Third quarter of fiscal year ending Dec. 2020 (as of Sept. 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Short-term loans payable	4,580	4,669
Current portion of long-term loans payable	32,415	26,164
Current portion of bonds	40	230
Income taxes payable	3,396	1,162
Other	9,768	8,380
Total current liabilities	50,199	40,607
Non-current liabilities		
Bonds payable	230	—
Long-term loans payable	47,720	56,441
Provision for directors' share-based benefits	114	135
Provision for share-based benefits	35	44
Asset retirement obligations	249	259
Other	600	1,259
Total non-current liabilities	48,950	58,141
Total liabilities	99,149	98,749
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,275	6,282
Capital surplus	2,004	2,086
Retained earnings	26,256	31,009
Treasury shares	(1,247)	(1,348)
Total shareholders' equity	33,288	38,031
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	256	56
Foreign currency translation adjustment	(0)	3
Total accumulated other comprehensive income	256	60
Subscription rights to shares	1	1
Non-controlling interests	0	0
Total net assets	33,546	38,093
Total liabilities and net assets	132,696	136,843

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income  
(Quarterly Consolidated Statement of Income)  
First three quarters of fiscal year ending Dec. 2020

(Unit: million yen)

	First three quarters of fiscal year ended Dec. 2019 (from Jan. 1, 2019, to Sept. 30, 2019)	First three quarters of fiscal year ending Dec. 2020 (from Jan. 1, 2020, to Sept. 30, 2020)
Net sales	45,923	64,927
Cost of sales	32,908	47,829
Gross profit	13,014	17,097
Selling, general and administrative expenses	4,428	5,826
Operating income	8,586	11,271
Non-operating income		
Interest income	1	12
Dividend income	2	46
Penalty income	13	20
Other	2	11
Total non-operating income	20	90
Non-operating expenses		
Interest expenses	871	758
Share of loss of entities accounted for using equity method	—	86
Other	13	41
Total non-operating expenses	884	886
Ordinary income	7,722	10,475
Extraordinary income		
Gain on sales of non-current assets	—	0
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	3	0
Total extraordinary losses	3	0
Profit before income taxes	7,719	10,475
Income taxes - current	2,403	2,919
Income taxes - deferred	63	312
Total income taxes	2,466	3,232
Profit	5,252	7,243
Profit attributable to owners of parent	5,252	7,243

(Quarterly Consolidated Statement of Comprehensive Income)  
 First three quarters of fiscal year ending Dec. 2020

(Unit: million yen)

	First three quarters of fiscal year ended Dec. 2019 (from Jan. 1, 2019, to Sept. 30, 2019)	First three quarters of fiscal year ending Dec. 2020 (from Jan. 1, 2020, to Sept. 30, 2020)
Profit	5,252	7,243
Other comprehensive income		
Valuation difference on available-for-sale securities	171	(200)
Foreign currency translation adjustment	(6)	8
Share of other comprehensive income of entities accounted for using equity method	—	(4)
Total other comprehensive income	165	(195)
Comprehensive income	5,417	7,047
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,417	7,047
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.

(Additional Information)

(Accounting estimates in line with the spread of COVID-19)

Although it is difficult to accurately predict the future spread or end of the impact of COVID-19, accounting estimates are made assuming the impact on ES-CON JAPAN Group's businesses is minimal since the impact on ES-CON JAPAN Group's businesses at this point in time is limited.

However, there are many factors of uncertainty concerning the impact of the COVID-19 pandemic, and thus if the real estate market deteriorates further, the operating results, financial position, and status of cash flow of ES-CON JAPAN Group may be materially impacted due to posting of appraisal loss of inventories and impairment loss, etc.

(Board Benefit Trust for Executives)

(1) Overview of the transaction

- 1) ES-CON JAPAN passed a resolution to introduce the performance-based stock reward system (the "System"; The trust established based on the trust agreement concluded with Resona Bank, Limited for the System is referred to as "board benefit trust for executives") at the Regular General Meeting of Shareholders held on March 20, 2015, with an aim to further clarify remuneration for company directors (excluding outside directors, auditors and non-executive directors) (the "Directors"; Hereinafter referred to as the same unless otherwise specified) and the relationship between ES-CON JAPAN's operating results and share price, with the Directors not only benefiting from a rise in share price but also sharing the same risks as shareholders in relation to a fall in share price, thereby increasing awareness of contribution to the medium- to long-term improvement of operating results and enhancement of corporate value. Furthermore, ES-CON JAPAN passed a resolution for continuation and partial revision of the System for the Directors at the Regular General Meeting of Shareholders held on March 26, 2020.

The System after the revision is an incentive system by which ES-CON JAPAN contributes money to a trust with the trust acquiring shares of ES-CON JAPAN with the said money as capital, and shares of ES-CON JAPAN and the fair market value of shares of ES-CON JAPAN are granted to ES-CON JAPAN's Directors through the trust in accordance with the operating results achievement rate, etc. pursuant to the officer stock ownership regulations set by ES-CON JAPAN. The shares of ES-CON JAPAN will be granted to the Director of ES-CON JAPAN when the said Director retires from the position of director in principle.

Under the System, for a set period of three fiscal years from the fiscal year ending December 2020 to the fiscal year ending December 2022 as well as each subsequent period of three fiscal years, ES-CON JAPAN will contribute money up to 330 million yen (110 million yen per fiscal year multiplied by the number of target fiscal years) to the trust.

- 2) Total number of shares to be granted to the Directors

- Resolution passed at the Regular General Meeting of Shareholders held on March 20, 2015  
Upper limit of funds for acquisition of shares (for the five fiscal years from the fiscal year ended December 2015 to the fiscal year ended December 2019): 240 million yen
- Resolution passed at the Regular General Meeting of Shareholders held on March 26, 2020  
Upper limit of funds for acquisition of shares (for the three fiscal years from the fiscal year ending December 2020 to the fiscal year ending December 2022, and each subsequent period of three fiscal years): 330 million yen

- 3) Scope of persons who are eligible to receive beneficiary rights and other rights under the System

The Directors of ES-CON JAPAN who have acquired the right to receive shares based on the officer stock ownership regulations.

(2) Residual Shares of ES-CON JAPAN in the Trust

Residual shares of ES-CON JAPAN in the trust are recorded as treasury shares under net assets using the book value in the trust (excluding the amount of incidental expenses). The book value of the treasury shares and the number of shares is 114 million yen and 487,200 shares for the previous fiscal year, and 347 million yen and 851,000 shares for the third quarter of the fiscal year under review.

(Share-Based Payment Benefits Type ESOP Trust)

(1) Overview of the transaction

ES-CON JAPAN passed a resolution to introduce a share-based payment benefits-type ESOP trust (the "System"; The trust established based on the trust agreement concluded with Resona Bank, Limited for the System is referred to as "Share-Based Payment ESOP") at the Regular General Meeting of Shareholders held on March 20, 2015, with an aim to further enhance the benefit program for its employees and raise their motivation and morale for improving the share price and operating results.

The System is a system by which ES-CON JAPAN contributes money to a trust with the trust acquiring shares of ES-CON JAPAN with the said money as capital, and shares of ES-CON JAPAN are granted to ES-CON JAPAN Group's employees who have satisfied certain requirements through the trust, pursuant to the stock ownership regulations set by ES-CON JAPAN.

(2) Residual Shares of ES-CON JAPAN in the Trust

Residual shares of ES-CON JAPAN in the trust are recorded as treasury shares under net assets using the book value in the trust (excluding the amount of incidental expenses). The book value of the treasury shares and the number of shares is 59 million yen and 233,100 shares for the previous fiscal year, and 59 million yen and 233,000 shares for the third quarter of the fiscal year under review.

(Segment Information, Etc.)

[Segment Information]

I. First three quarters of fiscal year ended Dec. 2019 (from January 1, 2019, to September 30, 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	42,049	3,673	200	45,923	—	45,923
Intersegment net sales or transfers	—	—	—	—	—	—
Total	42,049	3,673	200	45,923	—	45,923
Segment income	8,929	2,320	147	11,398	(2,811)	8,586

(Note 1) The reconciliation of segment income of -2,811 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

In the real estate sales business, goodwill increased by 460 million yen after acquiring the entire share of One's Own House Co., Ltd. (currently ES CON HOME Co., Ltd.) and Rise Home Co., Ltd. (currently ES-CON CRAFT Ltd.) and making them subsidiaries.

II. First three quarters of fiscal year ending Dec. 2020 (from January 1, 2020, to September 30, 2020)

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	60,686	4,067	173	64,927	—	64,927
Intersegment net sales or transfers	—	—	—	—	—	—
Total	60,686	4,067	173	64,927	—	64,927
Segment income	12,886	1,752	100	14,739	(3,467)	11,271

(Note 1) The reconciliation of segment income of -3,467 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.

(Significant Subsequent Events)

(Launch of new business)

ES-CON JAPAN passed a resolution at the board of directors' meeting held on October 29, 2020, to newly launch a business to sell, operate, and manage permanent use rights of a columbarium through Ryomon Co., Ltd., which will newly become a consolidated subsidiary.

(1) Details of business

① Ryomon Co., Ltd. will be entrusted with the following businesses from a religious corporation that serves as an operator of a columbarium in Japan.

- Sale of permanent use rights of columbarium
- Operation and management of columbarium

② Operator

Ryomon Co., Ltd. (consolidated subsidiary in which ES-CON JAPAN holds 51% voting rights)

③ Project costs

Ryomon Co., Ltd. plans to take out loans of 7,000 million yen from financial institutions to fund the acquisition of the exclusive sales rights, etc. of the permanent use rights of a columbarium, and ES-CON JAPAN plans to be the debt guarantor for the amount equivalent to 51% of the said loans.

(2) Commencement period of new business

October 30, 2020 (planned)

(3) Impact on operating results

Since the business is scheduled to start on October 30, 2020, the impact on ES-CON JAPAN Group's operating results for the fiscal year under review is minimal. The impact on the next fiscal year onward is currently being examined.



3. Other

Status of Contracts and Sales

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

Classification	Third quarter of fiscal year ending Dec. 2020 (from Jul. 1, 2020, to Sept. 30, 2020)			
	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.	224	10,486	396	16,928
Other	—	919	—	4,349
Total	224	11,406	396	21,278

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

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

Name of segment	First three quarters of fiscal year ending Dec. 2020 (from Jan. 1, 2020, to Sept. 30, 2020)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	521	23,893
	tonarie Yamatotakada	—	8,175
	LOGITRES Tojo	—	8,120
	tonarie Toga-Mikita	—	6,875
	Commercial leasehold land in Sakai-shi	—	2,733
	Daikyocho, Shinjuku-ku	—	2,562
	Matsubara, Setagaya-ku	—	2,167
	Honjo-Nishi, Kita-ku	—	1,967
	Commercial leasehold land in Omihachiman-shi	—	970
	Commercial leasehold land in Ikoma-gun	—	765
	Commercial leasehold land in Muko-shi	—	445
	Genboen, Koga-shi	—	393
	Other	—	1,617
	Subtotal	521	60,686
Real estate leasing business			4,067
Real estate planning agency and consulting business			173
	Total		64,927

(Note 1) There are no transactions between segments.

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