



Summary of Accounts for First Quarter of Fiscal Year Ending December 2021 (Japanese GAAP) (Consolidated)

April 26, 2021

Name of listed company: ES-CON JAPAN Ltd.	Listing exchange: Tokyo Stock Exchange
Code: 8892	URL: https://www.es-conjapan.co.jp/english/
Representative: (Name) Takatoshi Ito (Position)	President & Representative Director
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Scheduled date for submission of periodic securities report:	April 26, 2021
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 fiscal year ending December 2021 (from January 1, 2021 to March 31, 2021)

(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 fiscal year ending Dec. 2021	12,436	(70.5)	1,207	(87.5)	920	(90.1)	647	(89.9)
First quarter of fiscal year ended Dec. 2020	42,196	116.6	9,678	198.1	9,329	220.1	6,439	220.0

Note: Comprehensive income

First quarter of fiscal year ending Dec. 2021: 688 million yen [-88.7%]	First quarter of fiscal year ended Dec. 2020: 6,091 million yen [201.8%]
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	Basic earnings per share	Diluted earnings per share
	yen	yen
First quarter of fiscal year ending Dec. 2021	9.45	9.42
First quarter of fiscal year ended Dec. 2020	94.08	93.94

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First quarter of fiscal year ending Dec. 2021	162,110	36,670	22.6	535.54
Fiscal year ended Dec. 2020	149,423	38,627	25.8	563.07

Reference: Equity

First quarter of fiscal year ending Dec. 2021: 36,702 million yen	Fiscal year ended Dec. 2020: 38,589 million yen
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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. 2020	—	0.00	—	38.00	38.00
Fiscal year ending Dec. 2021	—	—	—	—	—
Fiscal year ending Dec. 2021 (Forecast)	—	0.00	—	38.00	38.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for fiscal year ending December 2021 (from January 1, 2021 to December 31, 2021)
 (% figures for the full fiscal year show the rate of increase (decrease) compared with the previous fiscal year, 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	29,400	(46.5)	3,900	(63.2)	3,300	(67.2)	2,100	(70.0)	25.82
Full fiscal year	80,000	3.5	10,800	(11.5)	9,400	(15.8)	6,200	(19.1)	70.22

(Note) Revisions from latest earnings forecast: None

ES-CON JAPAN issued new shares through third-party allotment on April 5, 2021. "Basic earnings per share" in the consolidated earnings forecast factors for the impact of the issuance of new shares. For details, please refer to "Attachment; 2. Quarterly Consolidated Financial Statements and Key Notes; (3) Notes to Quarterly Consolidated Financial Statements (Significant Subsequent Events)" on page 15.

* 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 fiscal year ending Dec. 2021	71,961,887 shares	Fiscal year ended Dec. 2020	71,961,887 shares
2) Number of treasury shares at end of period	First quarter of fiscal year ending Dec. 2021	3,427,900 shares	Fiscal year ended Dec. 2020	3,428,400 shares
3) Average number of shares during period	First quarter of fiscal year ending Dec. 2021	68,533,745 shares	First quarter of fiscal year ended Dec. 2020	68,447,187 shares

Note: The number of treasury shares at end of period includes shares of ES-CON JAPAN held in a board benefit trust for executives and a share-based payment benefits-type ESOP trust (first quarter of fiscal year ending December 2021: 851,000 shares in the board benefit trust for executives and 232,500 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 shares of ES-CON JAPAN held in the board benefit trust for executives and the share-based payment benefits-type ESOP trust (first quarter of fiscal year ending December 2021: 1,083,741 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 7.

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Attachment

1. Qualitative Information on Quarterly Results

(1) Business Risks

There are no business risks that newly arose in the first quarter.

In addition, there are no significant changes in the business risks stated in the previous fiscal year's securities report.

(2) Explanation of Operating Results

In the first quarter, the Japanese economy remained in an unpredictable situation due to the spread of COVID-19 as it is still unforeseeable when the pandemic will end even though the declaration of a state of emergency that was issued again in January 2021 was lifted in March 2021.

In the real estate industry in which the ES-CON JAPAN Group operates, the real estate market showed relatively stable performance with no substantial deterioration as the policies and measures related to tackling COVID-19 and monetary easing measures continued. However, how the COVID-19 developments as social and economic activities are resumed in phases while taking preventive measures against the spread of COVID-19 will impact the Japanese and overseas economies and the real estate market is extremely difficult to predict.

Despite the difficult business environment described above, we made strategic moves towards expansion of new business fields and sustainable growth by taking the current situation as an opportunity to develop our business.

We concluded a new capital and business partnership agreement with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power") in February 2021 for purposes of which include promoting further strengthening of the partnership, and issuance of new shares through third-party allotment to Chubu Electric Power (hereinafter "capital increase through third-party allotment") was approved at the 26th Regular General Meeting of Shareholders held in March 2021. With the implementation of the capital increase through third-party allotment (payment completed on April 5, 2021) resulting in Chubu Electric Power owning 51.54% of the voting rights, ES-CON JAPAN is now a consolidated subsidiary of Chubu Electric Power.

We assessed that becoming a consolidated subsidiary of Chubu Electric Power, which boasts strong corporate credit standing, through the capital increase through third-party allotment will allow diversification of fundraising methods and reduce fundraising costs by improving our creditworthiness. The move will also enable participation in large-scale urban-development projects through further business partnerships with the Chubu Electric Power Group. This will make it possible for us to increase our corporate value still further by stabilizing and expanding our earnings base, enhancing management stability, and so forth.

In conjunction, we formulated "IDEAL to REAL 2023," the fourth medium-term management plan, for the three-year period from the fiscal year ending December 2021 through the fiscal year ending December 2023. The new medium-term management plan sets "Establishing business foundations able to withstand unexpected changes in economic conditions" and "Simultaneously changing the revenue structure and expanding business domains" as management strategies.

1) Formulation of Fourth Medium-Term Management Plan

1. Basic Management Strategy Policies

(1) Establishing business foundations able to withstand unexpected changes in economic conditions

Establishing business and financial standings that would be sound and enable us to maintain our fundraising abilities under any economic conditions

(2) Simultaneously changing the revenue structure and expanding business domains

Transforming the revenue structure from one based on flows to one based on stock by strengthening the real estate leasing business while at the same time realizing business diversification and expanding business territories

2. Basic Policy: Transformation and Rapid Progress

Transformation

- Proactive investment in long-term revenue-generating real estate and improving the structure of the balance sheet
- Transforming the focus of management from flows to stock

Rapid Progress

- Demonstrating synergies in the Chubu Electric Power Group
- Achieving net sales of 110 billion yen and operating income of 16 billion yen (in the final fiscal year of the medium-term management plan)

3. Management Strategies

- (1) Transformation to a structure of sustained and stable revenues
- (2) Stable growth in existing core businesses through business diversification and area strategies
- (3) Growing new businesses into core businesses through business diversification and area strategies
- (4) Taking on the challenges of new business domains
- (5) Enhancing synergies within the ES-CON JAPAN Group
- (6) Expanding facilities, primarily in the five largest urban areas
- (7) Enhancing synergies within the Chubu Electric Power Group
- (8) Promoting ESG initiatives

4. Performance Plan

(Unit: million yen)

	Fiscal year ended Dec. 2020 Actual	Fiscal year ending Dec. 2021 Plan	Fiscal year ending Dec. 2022 Plan	Fiscal year ending Dec. 2023 Plan
Net sales	77,308	80,000	98,000	110,000
Operating income	12,202	10,800	14,000	16,000

5. Management Targets

	Fiscal year ended Dec. 2020 Actual	Fiscal year ending Dec. 2021 Plan	Fiscal year ending Dec. 2022 Plan	Fiscal year ending Dec. 2023 Plan
Share of profits from leasing ^{*2}	14.2%	23.0%	24.0%	26.0%
Return on equity (ROE)	21.2%	12.0%	13.0%	13.0%
Return on invested capital (ROIC) ^{*1}	6.6%	4.0%	4.0%	4.0%
Equity ratio	25.8%	29.0%	26.0%	23.0%
Share of long-term earnings from real estate ^{*3}	9.5%	12.0%	14.0%	18.0%
Net assets	38.6 billion yen	61.0 billion yen	66.0 billion yen	72.0 billion yen

*1 Return on invested capital (ROIC):

After-tax operating income ÷ (Shareholders' equity + Interest-bearing liabilities)

*2 Share of profits from leasing:

Leasing segment profits ÷ Segment total profits (not including adjustments)

*3 Share of long-term earnings from real estate:

Real estate generating leasing revenues recorded as non-current assets ÷ Net assets

6. Investment Plan

(Unit: million yen)

	Fiscal year ending Dec. 2021 Plan	Fiscal year ending Dec. 2022 Plan	Fiscal year ending Dec. 2023 Plan	3-year cumulative total Plan
Investment in revenue-generating real estate	30,000	40,000	60,000	130,000
Investment in other development	25,000	30,000	35,000	90,000
Gross investment	55,000	70,000	95,000	220,000

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

We concluded a capital and business partnership agreement with Chubu Electric Power 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. Since the establishment, we have already acquired land for nine new projects in the Chubu Region.

Furthermore, as joint projects with Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”), we launched condominium/commercial development projects in Shirakabe, Higashi Ward, Nagoya City; Ichinomiya City, Aichi Prefecture; Kakegawa City, Shizuoka Prefecture; and Suita City, Osaka Prefecture.

Now a consolidated subsidiary of Chubu Electric Power, we intend to proactively work on large-scale urban development and realization of “New Norm Neighborhoods” not only in the Chubu region but expanding to across Japan by strengthening the partnership with the Chubu Electric Power Group.

3) Progress of Projects under Hokkaido Ballpark Concept

With regard to the naming rights for “ES CON FIELD HOKKAIDO,” the new ballpark of the Hokkaido Nippon-Ham Fighters planned to be established and opened in 2023 in Kitahiroshima City, Hokkaido, we concluded a ballpark naming rights agreement with Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. and Fighters Sports & Entertainment Co., Ltd. in January 2020.

The area surrounding the new ballpark is 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. We are participating in Japan’s first ballpark development, engaging in the development of various real estate in the area such as a hotel on the land of approximately 9,400 m² adjoining the ballpark.

In addition, we concluded a partnership agreement for the JR Kitahiroshima Station “West Exit Area Revitalization Project” in Kitahiroshima City, Hokkaido, with the City of Kitahiroshima on March 30, 2021. Expectations are increasingly building for JR Kitahiroshima Station as a key access point to the ballpark being situated between JR Sapporo Station and New Chitose Airport Station in a highly convenient location approximately 20 minutes from the airport and approximately 16 minutes from Sapporo by train. Leveraging such location and our development expertise such as from the for-sale condominium and commercial facility development conducted in the station vicinity to date, we will engage in not only development of the ballpark area but also development of the area surrounding Kitahiroshima Station, the gateway to such, and thereby promote community-based urban development that would create bustle throughout Kitahiroshima City.

Continuing to also support sports, cultural promotion, etc., we will contribute to revitalization and development of the entire Hokkaido region for the happiness of its residents.

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

ESCON JAPAN REIT Investment Corporation (hereinafter “EJR”), which entrusts asset management to ES-CON Asset Management Ltd. (hereinafter “EAM”), a consolidated subsidiary of ES-CON JAPAN, conducted a public offering, its first since listing, in February 2020 and increased its asset size from 41.6 billion yen upon listing to 51.9 billion yen after the public offering, steadily expanding the asset size.

The ES-CON JAPAN Group fully supports enhancement of earnings and stable growth of EJR as its sponsor and aims for further growth.

5) Initiatives for Formation of Private REIT

We intend to form and commence operation of a private real estate investment corporation (private REIT) with EAM as the company entrusted with asset management in fiscal 2021. To that end, we formed private funds operating rental apartments in Higashiyamato City, Tokyo, and Fujisawa City, Kanagawa Prefecture, and Inagi City, Tokyo, in 2020 in cooperation with NISSHIN FUDOSAN Company, Limited. We then formed the fourth, operating in Isehara City, Kanagawa Prefecture, in January 2021.

6) Launch of Sale of Permanent Use Rights and Management of Columbarium

We launched management of an urban columbarium in Minato Ward, Tokyo, in October 2020 to solve issues in modern society, such as a shortage of burial grounds due to a large number of deaths resulting from aging population, the situation in which there will be nobody to look after graves due to small families with fewer children, and particularly the situation in which having a grave in central Tokyo is extremely difficult. We launched sale of permanent use rights of the columbarium in March 2021.

7) Status of ESG Initiatives

We have set “Address social issues through promotion of ESG initiatives” as one of our key corporate strategies.

a. Environment (E)

• EcoAction 21 Certification

In May 2020, we 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.

• Green Buildings

In July 2020, “tonarie Yamato-Takada” and “tonarie Toga-Mikita,” which are commercial facilities developed by ES-CON JAPAN and owned by EJRC, obtained DBJ Green Building Certification (a certification system created by Development Bank of Japan Inc. (hereinafter “DBJ”) in April 2011 to support real estate properties with environmental and social awareness (“Green Buildings”)) from DBJ. These were followed also by “tonarie Minamiseni” and “tonarie Seiwadai” in February 2021.

• “Rank S” Certification for CASBEE for Real Estate

In July 2020, “Soyoca Fujimino,” a commercial facility owned by ES-CON JAPAN, obtained “Rank S,” the highest rank of the Certification for CASBEE (*) for Real Estate from a CASBEE accreditation body authorized by the 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.

• ZEH Builder

In November 2020, ES-CON Home Co., Ltd. and ES-CON Craft Co., Ltd., which are consolidated subsidiaries of ES-CON JAPAN, were registered for ZEH Builder Certification.

• Received Award for Excellence in the Environmental Human Resource Development Corporate Awards

In March 2021, we received the Award for Excellence in the Environmental Human Resource Development Corporate Awards 2020 (recognizing companies leading the way in developing environment-related human resources) hosted by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD). The Awards were created in a fiscal 2014 project by the Ministry of the Environment with an aim to encourage Japanese companies to engage in and train human resources for environmentally friendly business management and increase the number of companies contributing to comprehensive improvement of the environment, economy and society, considering the situation where efforts toward a sustainable society have become essential.

b. Social (S)

• Contributing to Healthcare

We have been providing monetary donations since 2020 to Kyoto University’s “iPS Cell Research Fund” to support activities realizing provision of early and inexpensive treatment using iPS cells for many people suffering from diseases and accidents.

We have also been providing monetary donations since 2019 to Osaka University’s Graduate School of Medicine as support for clinical trials of cancer vaccines showing promise for the treatment of cancer.

c. Governance (G)

• Establishment of Voluntary Committee on Nomination and Remuneration of Directors

In January 2020, we established the “Nomination and Remuneration Advisory Committee” 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 and other matters.

• Nurturing Successors

We also launched initiatives for a succession plan called the candidate successor system. In January 2021, we newly appointed seven employed executive officers.

- Diversity of the Board of Directors

In order to secure diversity of the board of directors, two independent directors, of which one is experienced in corporate management and one is a female securities analyst, were appointed at the 26th Regular General Meeting of Shareholders held on March 26, 2021, for a diverse board composition.

In addition, the skills matrix for directors is disclosed in the corporate governance report.

- d. Other

In March 2020 and December 2020, we procured funds through “ESG/SDG assessment-based loans” provided by Sumitomo Mitsui Banking Corporation. Deemed to be “implementing good ESG and SDG initiatives and information disclosure,” each earned an overall ranking that is the third-best ranking out of seven. Combined, 6.5 billion yen was procured for two projects.

- 8) 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 condominium sales business, we commenced selling new sales projects, including “Le JADE Hirano” (Hirano Ward, Osaka City; 58 units in total), “Le JADE Uehonmachi” (Tennoji Ward, Osaka City; 56 units in total) and “Le JADE Tsukuba Station Front” (Tsukuba City, Ibaraki Prefecture; 218 units in total). “Le JADE Nagaikoendori” (Sumiyoshi Ward, Osaka City; 108 units in total) is contracted to sell out.

In the Kyushu area as well, we acquired land for a new sales project (Minami Ward, Fukuoka City), our first in the area, and “Suroy Mall Nagamine” (a commercial facility in Kumamoto City, Kumamoto Prefecture).

In the real estate leasing business, efforts are being made to secure stable rental income from commercial facilities owned by ES-CON JAPAN and to enhance their asset value. Such efforts included newly acquiring “tonarie Yokkaichi” (a community-based shopping center in Yokkaichi City, Mie Prefecture) and “Fuji Grand Natalie” (a commercial facility in Hatsukaichi City, Hiroshima Prefecture).

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, operating results for the first quarter were net sales of 12,436 million yen (down 70.5%), operating income of 1,207 million yen (down 87.5%), ordinary income of 920 million yen (down 90.1%) and profit attributable to owners of parent of 647 million yen (down 89.9%), all compared with the same period of the previous year.

The following describes the operating results by each segment (comparisons are 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, but resulted in net sales of 10,723 million yen (down 73.7%) and segment income of 1,750 million yen (down 83.4%).

- 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 1,599 million yen (up 23.0%) and segment income of 687 million yen (up 47.8%).

- 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 the best use of planning and multifaceted business building abilities, but resulted in net sales of 113 million yen (up 65.3%) and segment loss of 6 million yen (segment income of 44 million yen in the same period of the previous year).

(3) Explanation of Financial Position

Assets at the end of the first quarter increased by 12,687 million yen compared with the end of the previous fiscal year to 162,110 million yen. This was mainly attributable to cash and deposits decreasing by 2,531 million yen, and inventories and non-current assets increasing by 11,122 million yen and 2,144 million yen, respectively.

Liabilities increased by 14,644 million yen compared with the end of the previous fiscal year to 125,440 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 13,348 million yen.

Net assets decreased by 1,957 million yen compared with the end of the previous fiscal year to 36,670 million yen. This was mainly attributable to cash dividends paid of 2,645 million yen, while recording profit attributable to owners of parent of 647 million yen. As a result, the equity ratio was 22.6% (25.8% 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 February 24, 2021.

In addition, as mentioned earlier in this document, we announced the fourth medium-term management plan, which is for the three-year period from the fiscal year ending December 2021 through the fiscal year ending December 2023. Details are as presented earlier in this document.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2020 (as of Dec. 31, 2020)	First quarter of fiscal year ending Dec. 2021 (as of Mar. 31, 2021)
Assets		
Current assets		
Cash and deposits	23,870	21,338
Notes and accounts receivable - trade	927	1,061
Real estate for sale	6,262	10,322
Real estate for sale in process	82,316	89,378
Other	8,739	10,558
Allowance for doubtful accounts	(0)	(0)
Total current assets	122,117	132,659
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,359	5,549
Accumulated depreciation	(889)	(993)
Buildings and structures, net	3,470	4,556
Land	11,262	12,326
Other	335	336
Accumulated depreciation	(191)	(203)
Other, net	143	133
Total property, plant and equipment	14,876	17,015
Intangible assets		
Goodwill	339	315
Other	63	61
Total intangible assets	403	376
Investments and other assets		
Other	12,064	12,096
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	12,026	12,058
Total non-current assets	27,306	29,450
Total assets	149,423	162,110

(Unit: million yen)

	Fiscal year ended Dec. 2020 (as of Dec. 31, 2020)	First quarter of fiscal year ending Dec. 2021 (as of Mar. 31, 2021)
Liabilities		
Current liabilities		
Short-term loans payable	2,907	5,373
Current portion of long-term loans payable	26,093	31,246
Current portion of bonds	230	10
Income taxes payable	1,460	244
Other	9,121	11,032
Total current liabilities	39,813	47,906
Non-current liabilities		
Long-term loans payable	69,274	75,225
Provision for directors' share-based benefits	135	135
Provision for share-based benefits	46	49
Asset retirement obligations	260	260
Other	1,265	1,862
Total non-current liabilities	70,982	77,533
Total liabilities	110,795	125,440
Net assets		
Shareholders' equity		
Capital stock	6,284	6,284
Capital surplus	2,088	2,088
Retained earnings	31,429	29,432
Treasury shares	(1,348)	(1,348)
Total shareholders' equity	38,454	36,456
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	153	258
Foreign currency translation adjustment	(18)	(13)
Total accumulated other comprehensive income	134	245
Subscription rights to shares	1	1
Non-controlling interests	37	(32)
Total net assets	38,627	36,670
Total liabilities and net assets	149,423	162,110

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
First quarter of fiscal year ending December 2021

(Unit: million yen)

	First quarter of fiscal year ended Dec. 2020 (from Jan. 1, 2020 to Mar. 31, 2020)	First quarter of fiscal year ending Dec. 2021 (from Jan. 1, 2021 to Mar. 31, 2021)
Net sales	42,196	12,436
Cost of sales	30,281	9,080
Gross profit	11,914	3,356
Selling, general and administrative expenses	2,235	2,149
Operating income	9,678	1,207
Non-operating income		
Interest income	4	3
Dividend income	0	0
Penalty income	3	6
Foreign exchange gains	—	53
Other	0	2
Total non-operating income	8	65
Non-operating expenses		
Interest expenses	293	309
Share of loss of entities accounted for using equity method	27	23
Other	37	20
Total non-operating expenses	357	352
Ordinary income	9,329	920
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	0	—
Total extraordinary losses	0	—
Profit before income taxes	9,329	920
Income taxes - current	2,772	226
Income taxes - deferred	118	116
Total income taxes	2,890	342
Profit	6,439	577
Loss attributable to non-controlling interests	—	(70)
Profit attributable to owners of parent	6,439	647

(Quarterly Consolidated Statement of Comprehensive Income)
 First quarter of fiscal year ending December 2021

(Unit: million yen)

	First quarter of fiscal year ended Dec. 2020 (from Jan. 1, 2020 to Mar. 31, 2020)	First quarter of fiscal year ending Dec. 2021 (from Jan. 1, 2021 to Mar. 31, 2021)
Profit	6,439	577
Other comprehensive income		
Valuation difference on available-for-sale securities	(375)	105
Foreign currency translation adjustment	16	(8)
Share of other comprehensive income of entities accounted for using equity method	10	13
Total other comprehensive income	(347)	110
Comprehensive income	6,091	688
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	6,091	758
Comprehensive income attributable to non-controlling interests	—	(70)

(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)

There are no significant changes in the assumptions concerning the impact of the COVID-19 pandemic stated under additional information in the previous fiscal year's securities report.

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 the ES-CON JAPAN Group may be materially impacted due to posting of appraisal loss of inventories and impairment loss on real estate owned, etc.

(Board Benefit Trust for Executives)

(1) Overview of the Transaction

- 1) We passed a resolution to introduce a 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 directors (excluding auditor directors, external directors, and non-executive directors) and (authorized) executive managing officers (the "Directors"; hereinafter referred to as the same unless otherwise specified) of ES-CON JAPAN 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, we passed a resolution for continuation and partial revision of performance-based stock rewards for the Directors at the Regular General Meeting of Shareholders held on March 26, 2020, and the Regular General Meeting of Shareholders held on March 26, 2021.

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 said money as capital, and shares of ES-CON JAPAN and money equivalent to the fair market value of shares of ES-CON JAPAN are granted to the Directors of ES-CON JAPAN 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 said Director retires from all positions of Director in principle.

Under the System, for a set period of three fiscal years from the fiscal year ending December 2021 to the fiscal year ending December 2023 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 ended December 2020 to the fiscal year ending December 2022 and each subsequent period of three fiscal years): 330 million yen
 - Resolution passed at the Regular General Meeting of Shareholders held on March 26, 2021
Upper limit of funds for acquisition of shares (for the three fiscal years from the fiscal year ending December 2021 to the fiscal year ending December 2023 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 are 347 million yen and 851,000 shares for the fiscal year ended December 2020, and 347 million yen and 851,000 shares for the first quarter of the fiscal year ending December 2021.

(Share-Based Payment Benefits-Type ESOP Trust)

(1) Overview of the Transaction

We passed a resolution to introduce a share-based payment benefits-type ESOP (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 benefits-type ESOP trust") 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 said money as capital, and shares of ES-CON JAPAN are granted to the 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 are 59 million yen and 233,000 shares for the fiscal year ended December 2020, and 59 million yen and 232,500 shares for the first quarter of the fiscal year ending December 2021.

(Segment Information, Etc.)

[Segment Information]

I. First quarter of fiscal year ended December 2020 (from January 1, 2020 to March 31, 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	40,827	1,300	68	42,196	—	42,196
Intersegment net sales or transfers	—	—	—	—	—	—
Total	40,827	1,300	68	42,196	—	42,196
Segment income	10,522	464	44	11,031	(1,352)	9,678

(Note 1) The reconciliation of segment income of -1,352 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 fiscal year ending December 2021 (from January 1, 2021 to March 31, 2021)

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	10,723	1,599	113	12,436	—	12,436
Intersegment net sales or transfers	—	—	—	—	—	—
Total	10,723	1,599	113	12,436	—	12,436
Segment income (loss)	1,750	687	(6)	2,430	(1,223)	1,207

(Note 1) The reconciliation of segment income or segment loss of -1,223 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 or segment loss 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)

(Issuance of New Shares Through Third-Party Allotment)

Based on resolution passed at the meeting of the board of directors held on February 24, 2021, and approval at the 26th Regular General Meeting of Shareholders held on March 26, 2021, ES-CON JAPAN issued new shares through third-party allotment with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power") as the allottee (hereinafter "capital increase through third-party allotment"), payment for which was completed on April 5, 2021. This resulted in ES-CON JAPAN becoming a consolidated subsidiary of Chubu Electric Power.

(1) Purpose and Reason

The capital increase through third-party allotment issued new shares to Chubu Electric Power for the purpose of strengthening business and financial standings, implemented as part of the capital and business partnership agreement newly concluded with Chubu Electric Power on February 24, 2021.

(2) Outline of Issuance

1)	Type and number of shares offered	26,619,000 shares of common stock
2)	Paid-in amount	769 yen per share
3)	Total paid-in amount	20,470 million yen
4)	Of total paid-in amount, amount of provision to capital	10,235 million yen
5)	Method of offering	Capital increase through third-party allotment
6)	Use of funds	To cover a portion of the cost of acquisition of real estate for the development of new revenue-generating real estate and holding in ownership

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 fiscal year ending Dec. 2021 (from Jan. 1, 2021 to Mar. 31, 2021)			
	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.	338	17,373	665	31,375
Other	—	573	—	1,257
Total	338	17,946	665	32,633

(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 fiscal year ending Dec. 2021 (from Jan. 1, 2021 to Mar. 31, 2021)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	189	8,191
	Genboen, Koga-shi	—	1,874
	3-chome, Aoyamadai, Suita-shi	—	226
	Matsukazecho, Hiratsuka-shi	—	71
	Other	—	358
	Subtotal	189	10,723
Real estate leasing business			1,599
Real estate planning agency and consulting business			113
	Total		12,436

(Note 1) There are no transactions between segments.

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