



Summary of Accounts for First Quarter of Fiscal Year Ending December 2022 (Japanese GAAP) (Consolidated)

April 27, 2022

Name of listed company: ES-CON JAPAN Ltd.	Listing exchange: Tokyo Stock Exchange
Code: 8892	URL: https://www.es-conjapan.co.jp/english/
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Scheduled date for submission of periodic securities report:	April 27, 2022
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 2022 (from January 1, 2022 to March 31, 2022)

(1) Consolidated operating results (cumulative)

(% 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. 2022	12,706	2.2	863	(28.5)	582	(36.7)	235	(63.6)
First quarter of fiscal year ended Dec. 2021	12,436	(70.5)	1,207	(87.5)	920	(90.1)	647	(89.9)

Note: Comprehensive income

First quarter of fiscal year ending Dec. 2022: 135 million yen [-80.3%]	First quarter of fiscal year ended Dec. 2021: 688 million yen [-88.7%]
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	Basic earnings per share	Diluted earnings per share
	yen	yen
First quarter of fiscal year ending Dec. 2022	2.47	2.46
First quarter of fiscal year ended Dec. 2021	9.45	9.42

(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29; March 31, 2020), etc. have been applied from the beginning of the first quarter of the fiscal year ending December 2022, and the figures for the first quarter of the fiscal year ending December 2022 are the figures after applying the accounting standard, etc.

(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. 2022	275,837	59,100	21.5	620.60
Fiscal year ended Dec. 2021	252,771	62,628	24.8	657.50

Reference: Equity

First quarter of fiscal year ending Dec. 2022: 59,263 million yen	Fiscal year ended Dec. 2021: 62,780 million yen
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(Note) "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. have been applied from the beginning of the first quarter of the fiscal year ending December 2022, and the figures for the first quarter of the fiscal year ending December 2022 are the figures after applying the accounting standard, etc.

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. 2021	—	0.00	—	38.00	38.00
Fiscal year ending Dec. 2022	—	—	—	—	—
Fiscal year ending Dec. 2022 (Forecast)	—	0.00	—	38.00	38.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for fiscal year ending December 2022 (from January 1, 2022 to December 31, 2022)
 (% 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 (cumulative)	36,300	45.3	4,700	83.5	3,800	96.5	2,600	87.3	27.23
Full fiscal year	100,000	26.6	14,000	34.9	12,200	34.1	8,300	39.2	86.92

(Note) Revisions from latest earnings forecast: None

* Explanatory notes

- (1) Changes in significant subsidiaries during the first quarter (Changes in specified subsidiaries resulting in change in scope of consolidation): None
 Newly included: — companies (Company name) —
 Excluded: — companies (Company name) —
- (2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 1) Changes in accounting policies due to amendment of accounting standards, etc.: Yes
 2) Changes in accounting policies other than 1): None
 3) Changes in accounting estimates: None
 4) Restatement: None

(Note) For details, please see “Attachment; 2. Quarterly Consolidated Financial Statements and Key Notes; (3) Notes to Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 15.

- (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. 2022	98,580,887 shares	Fiscal year ended Dec. 2021	98,580,887 shares
2) Number of treasury shares at end of period	First quarter of fiscal year ending Dec. 2022	3,087,700 shares	Fiscal year ended Dec. 2021	3,096,900 shares
3) Average number of shares during period (cumulative)	First quarter of fiscal year ending Dec. 2022	95,489,887 shares	First quarter of fiscal year ending Dec. 2021	68,533,745 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 2022: 851,000 shares in the board benefit trust for executives and 224,500 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 ended December 2021: 1,075,866 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 11.

○ 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.....	11
(4) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information.....	11
2. Quarterly Consolidated Financial Statements and Key Notes.....	12
(1) Quarterly Consolidated Balance Sheet.....	12
(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income ..	14
(Quarterly Consolidated Statement of Income)	14
First quarter of fiscal year ending Dec. 2021	14
(Quarterly Consolidated Statement of Comprehensive Income).....	15
First quarter of fiscal year ending December 2022	15
(3) Notes to Quarterly Consolidated Financial Statements	16
(Notes on Going Concern Assumption)	16
(Notes on Substantial Changes in the Amount of Shareholders' Equity).....	16
(Changes in Accounting Policies).....	16
(Additional Information).....	16
(Segment Information, Etc.)	19
(Significant Subsequent Events)	20
3. Other	21
Status of Contracts and Sales	21

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, although the sixth wave of COVID-19 arrived and the number of cases surged, the increase in cases settled in March 2022 and restrictions and border measures are being gradually loosened, including the fact that the pre-emergency measures to prevent the spread of the disease implemented in 18 prefectures have been lifted. These lead to the expectation that economic and social activity will normalize and the Japanese economy will recover.

In the real estate industry in which the ES-CON JAPAN Group operates, the real estate market remained strong with housing demand being pushed up by work-style reform and new lifestyles such as working from home, partly due to the supportive effect of the continuation of monetary easing measures.

On the other hand, there is a sense of uncertainty due to the situation in Ukraine, and it is very difficult to predict the impact of rising raw material prices and fluctuations in financial and exchange markets on future trends in the real estate market. Accordingly, there is a need also in the real estate business to proceed with caution regarding development.

Despite such business environment in which the future outlook is extremely uncertain, we formulated "IDEAL to REAL 2023," the fourth medium-term management plan (targeting the three-year period from the fiscal year ended December 2021 through the fiscal year ending December 2023) in February 2021, and are striving to achieve record-high profits this fiscal year, the second year of the plan, based on the basic policy of "transformation and rapid progress."

ES-CON JAPAN became a consolidated subsidiary of Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power") on April 5, 2021. As a result, our corporate credit standing has dramatically increased and we have established a flexible and stable fundraising base backed by acquisition of credit ratings from external institutions. In addition, collaboration with Chubu Electric Power has also progressed and synergy with the company is being demonstrated.

In October 2021, we made Picasso Co., Ltd., which owns numerous outstanding revenue-generating properties, and its seven group companies (hereinafter "Picasso and seven companies") subsidiaries and realized "transformation" of revenue structure stated in the fourth medium-term management plan.

In January 2022, we made FUEL Inc. (hereinafter "FUEL"), whose businesses include managing online funds and providing computer systems to crowdfunding businesses in accordance with the Act on Specified Joint Real Estate Ventures of Japan, a subsidiary, with an aim of strengthening and expanding the asset management business of the ES-CON JAPAN Group and as participation for future participation in real estate financial business. As such, we are making progress in expansion of the Group's business domain.

Also, on April 4, 2022, we transitioned to the Prime Market due to the reorganization of the Tokyo Stock Exchange, Inc.'s market segments.

1) Progress of the Fourth Medium-Term Management Plan "IDEAL to REAL 2023"

Fiscal 2022, the second year of the Fourth Medium-Term Management Plan, has been progressing smoothly as a year of "rapid progress."

In the fiscal 2021, the first fiscal year of the plan, the investment plan progressed at a pace higher than the initial plan, and rapidly realized a "transformation" in the revenue structure by securing stable leasing income. Accordingly, we revised some of the management indicators, such as the share of profits from leasing for the fiscal year ending December 2023, which is the final fiscal year of the medium-term management plan. Details of the revisions are described in "5. Management Targets" below.

By realizing this "transformation," we plan to renew record-high profits this fiscal year and the next fiscal year, aiming for further "rapid progress."

The details of the fourth medium-term management plan are as follows.

1. Basic Management Strategy Policies

- Establishing business foundations able to withstand unexpected changes in economic conditions
Establish a sound business and financial standing that can maintain its fundraising abilities under any economic environment.
- Simultaneously change the revenue structure and expand business domains
Transform 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 improvement of balance sheet structure
- Transform the focus of management from flows to stock

Rapid Progress

- Demonstrating synergies within 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

- Transformation to a structure of sustained and stable profit revenues
- Stable growth in existing core businesses through business diversification and area strategies
- Growing new businesses into core businesses through business diversification and area strategies
- Taking on the challenge of new business domains
- Enhancing synergies with the ES-CON JAPAN Group
- Expanding business bases, primarily in the five major urban areas
- Enhancing synergies with the Chubu Electric Power Group
- Promoting ESG initiatives

4. Performance Plan

(Unit: million yen)

	Fiscal year ended Dec. 2021				Fiscal year ending Dec. 2022				Fiscal year ending Dec. 2023
	Actual	Plan	Difference from plan	Increase/decrease	Plan	Initial plan	Difference from initial plan	Increase/decrease	Plan
Net sales	79,017	80,000	(982)	(1.2%)	100,000	98,000	2,000	2.0%	110,000
Operating income	10,381	10,800	(418)	(3.9%)	14,000	14,000	—	—	16,000

5. Management Targets

	Fiscal year ended Dec. 2021		Fiscal year ending Dec. 2022		Fiscal year ending Dec. 2023		
	Actual	Plan	Plan	Initial plan	Revised plan*4	Initial plan	Difference from initial plan
Share of profits from leasing*1	21.2%	23.0%	26.0%	24.0%	30.0%	26.0%	4.0%
Return on equity (ROE)	11.8%	12.0%	13.0%	13.0%	13.0%	13.0%	—
Return on invested capital (ROIC) *2	3.2%	4.0%	4.0%	4.0%	4.0%	4.0%	—
Equity ratio	24.8%	29.0%	23.0%	26.0%	21.0%	23.0%	(2.0%)
Share of long-term earnings from real estate*3	20.6%	12.0%	21.0%	14.0%	23.0%	18.0%	5.0%
Net assets	62.6 billion yen	61.0 billion yen	67.3 billion yen	66.0 billion yen	72.0 billion yen	72.0 billion yen	—

*1 Share of profits from leasing: Leasing segment profits / Total segment profits (excluding adjustments)

*2 Return on invested capital (ROIC): After-tax operating income / (Shareholders' equity + Interest-bearing liabilities)

*3 Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as noncurrent assets / Total assets

*4 In the first fiscal year of the fourth medium-term management plan, we rapidly realized "transformation" of the revenue structure by accelerating progress on investment plans ahead of schedule and securing stable leasing income, and "share of profits from leasing," "equity ratio," and "share of long-term earnings from real estate" for the fiscal year ending December 2023 were revised on March 25, 2022.

6. Investment Plan

(Unit: million yen)

	Fiscal year ended Dec. 2021				Fiscal year ending Dec. 2022	Fiscal year ending Dec. 2023	Three-year cumulative total
	Actual	Plan	Difference from plan	Increase/decrease	Plan	Plan	Plan
Investment in revenue-generating real estate	76,799	30,000	46,799	156.0%	40,000	60,000	130,000
Investment in other development	19,191	25,000	(5,809)	(23.2%)	30,000	35,000	90,000
Gross investment	95,990	55,000	40,990	74.5%	70,000	95,000	220,000

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

As previously mentioned, we became a consolidated subsidiary of Chubu Electric Power in April 2021 and are aggressively developing our business in the Chubu area.

In a joint venture with Chuden Real Estate Co., Inc., we are undertaking the development of condominiums and commercial facilities in Shirakabe, Higashi Ward, Nagoya City, Ichinomiya City, Aichi Prefecture, Kakegawa City, Shizuoka Prefecture, and Suita City, Osaka Prefecture.

In February 2022, a consortium of businesses led by Chubu Electric Power of which ES-CON JAPAN is a member concluded a basic agreement on a project organized by Aichi Prefecture and the city of Nagoya concerning utilization of the site of the 20th Asian Games Aichi-Nagoya 2026 Athletes' Village after the games. In this project for which city opening is scheduled for around 2028, we aim to create a next-generation community that connects diverse people who help each other to solve various problems facing society and foster happiness together. Plans call for ES-CON JAPAN to develop retail complexes as part of this community development project.

In July 2021, together with Chubu Electric Power and Spread Co., Ltd. (hereinafter "Spread"), we established "TSUNAGU Community Farm LLC" (hereinafter "new company".) In October 2021, the new company started construction of Techno Farm Fukuroi, which will be the world's largest vertical farm utilizing fully artificial light and capable of producing 10 tons of lettuce per day, in Fukuroi City, Shizuoka Prefecture. The aim is to launch production in January 2024. By combining Chubu Electric Power's capital strength and knowledge in energy management with our development know-how, we will make efforts toward decarbonization and cost reduction and contribute to the production of cheaper vegetables at plants. At the same time, in collaboration with Spread - which has a track record in cultivation and logistics - we will strive to produce "safe and clean" lettuce efficiently and stably.

We will continue to strengthen our partnership with the Chubu Electric Power Group and actively work to achieve large-scale urban development and realize a "new form of community" while utilizing our real estate development know-how.

3) Efforts to Establish a Flexible Fundraising System

Based on our reception of a certain level of recognition from external agencies and financial institutions since we became a subsidiary of Chubu Electric Power, we have established a system to flexibly and stably procure funds necessary for the future growth of our group.

Specifically, the company received a rating of "A-" (stable) from Rating and Investment Information, Inc. and "A" (stable) from Japan Credit Rating Agency, Ltd. in July 2021, and was newly selected as a constituent of JPX-Nikkei Index 400 for FY2021 (August 31, 2021 to August 30, 2022).

Given the recognition and other factors, the Company concluded a commitment line agreement with The Nishi-Nippon City Bank, Ltd. in September 2021 with a maximum borrowing amount of 10 billion yen, and a syndication-type commitment line agreement in November 2021 for a maximum borrowing amount of 5.5 billion yen with The Shiga Bank, Ltd. serving as the arranger.

Furthermore, in December 2021, we submitted a shelf registration statement for issuance of corporate bonds to secure a more flexible means of fundraising in addition to indirect financing from financial institutions. The Company has the capacity to issue 50 billion yen in bonds and will consider doing so in a flexible and agile manner while considering the market environment.

By establishing these flexible fundraising systems, we will proactively consider various investment opportunities and execute investments that further raise our corporate value.

4) Progress of Projects in Hokkaido

"ES CON FIELD HOKKAIDO," the new baseball stadium of the Hokkaido Nippon-Ham Fighters under construction in Kitahiroshima City, Hokkaido, for which we have concluded a naming rights agreement, is scheduled to be completed in December 2022 and open in March 2023 the following year. The area surrounding the new stadium is a large-scale development area called HOKKAIDO BALLPARK F VILLAGE (total development area: approx. 36.7 ha; hereinafter "F VILLAGE") with construction of a new station also planned. We are involved in the urban development concept of which the new stadium will serve as the centerpiece.

In February 2022, we have commenced selling of the new condominium "Le JADE Hokkaido Ballpark" as the first project of the F VILLAGE urban development concept. The project is located in a rare location in close proximity to the new baseball stadium, about 80 meters from the outfield stands of the new stadium. It will also allow enjoyment of the rich nature of Hokkaido. The concept of the project is to provide a new lifestyle ("living in a ballpark"). Media reporting on the project has been extensive - including newspaper articles and TV programs - and the number of visits to the condominium gallery exceeded 600. The first stage of sales saw all units receive application the day of its commencement.

Furthermore, in February 2022, we decided to develop a senior residence in the southeast corner of F VILLAGE. As a residence for active seniors with a medical mall, it is scheduled to be completed in the spring of 2024. This initiative is part of sustainable urban development to create a place for multi-generational exchange, and creates homes blessed with nature and where people can fully enjoy sports and activities. From youth to the elderly, it will contribute to health maintenance and community health care for people of all ages.

In addition, in November 2021, we acquired a portion of the development site of the JR Kitahiroshima Station “Train Station West Exit Area Revitalization Project” in Kitahiroshima City as a partner of the project. The train station is garnering further attention as an important point of access to F VILLAGE. The site will be used for three development projects: a station square in front of JR Kitahiroshima Station, an exchange center complex comprising commercial facilities and a hotel, and a three-dimensional indoor/outdoor plaza and park. Of the development projects on this site, the commercial facilities are scheduled for completion in 2024.

Outside of the same city, sales of “Le JADE Sapporo Motomachi (Higashi Ward, Sapporo City; 39 units in total)”, which will be our first condominium in Sapporo City, Hokkaido Prefecture, launched in January 2022. In addition, condominium development in Higashi Ward, Sapporo City, as well as other projects in Hokkaido is progressing smoothly.

We will continue to cooperate in the promotion of sports and culture and contribute to the revitalization and development of the entire Hokkaido region for the happiness of its residents.

5) Efforts for Regional Revitalization Through Real Estate Development

In February 2022, we launched construction of the “Namiki no Mori City” development project, a mixed-use facility of residential, commercial and parking lot buildings in Iwaki City, Fukushima Prefecture, together with the Iwaki Station Namiki-dori District Urban Redevelopment Association and Hoosiers Corporation. This project will carry out redevelopment to create a further bustling atmosphere around the station. For the residential building, the plan is to develop a next-generation condominium that anticipates multi-generation residences under measures such as establishing residential units with barrier-free specifications (55 units), as the highest seismic isolation structure tower condominium in Iwaki City named “MID TOWER IWAKI.”

In addition, in March 2022, we concluded a basic agreement with Omura City regarding the “Shin-Omura Ekimae City Owned Land Development Project” in Omura City, Nagasaki Prefecture, together with Daiwa House Industry Co., Ltd., and Izumi Co., Ltd., as a member of a business group composed of the three companies. As Shin-Omura Station on the Nishi-Kyushu Shinkansen line is scheduled to open in September 2022, the project is to develop condominiums, commercial facilities, etc. where residents and visitors from outside the city can interact with each other in line with the town development policy of Omura City. The Company is scheduled to be engaged in development of condominiums in two blocks.

In addition, we are opening “tonarie CREO” at “tonarie Tsukuba Square.” a redevelopment project consisting of commercial facilities and offices in front of Tsukuba Station in Ibaraki Prefecture, in phases, and proceeding with tenant leasing activities, etc. toward the grand opening in the fall of 2022. On the land adjacent to it, we have developed the condominium “Le JADE Tsukuba Station Front (218 units in total),” promoting development that integrates “retail, office, and residential.”

Furthermore, in March 2022, we started development of a community-based shopping center “tonarie Hoshida (tentative name) (Katano City, Osaka Prefecture)” with Takara Leben Co., Ltd. The construction site is within the “Hoshida Station North Land Readjustment Project” (implementation area of approx. 26.4 ha) area, where development of condominiums, detached houses, and industrial facilities such as business establishments is planned in the vicinity, leading to the expectation for future prosperity. This facility is scheduled to open in the spring of 2023 as the tenth facility in our commercial facility brand “tonarie” series.

6) Promotion of Development of Various Condominiums in Rare Locations

Instead of simply expanding the number of units for sale, we have carried out various developments centered on product planning that maximizes the value of purchased land. Recently, we are actively promoting development in rare locations in particular, such as central Tokyo and resort areas.

“OST Residence Karuizawa (Karuizawa Town, Kitasaku District, Nagano Prefecture; 33 units in total)” is a development project in a location surrounded by the rich nature of Karuizawa and sold out in November 2021. In addition, we have acquired two project sites in Hayama Town, Miura District, Kanagawa Prefecture, and are working to develop condominiums that make the most of the rich natural environment such as Morito Beach.

Furthermore, we have been working on various projects in rare locations in central Tokyo by acquiring land for business use ("Repro Shimbashi Project" (tentative name) in Minato Ward, Tokyo), which is located near JR Shimbashi Station, in August 2021, eyeing rental and development business over the medium to long term, recently launching development of multipurpose facility comprised of offices and a new condominium "Le JADE Cross Chiyoda Jimbocho (Chiyoda Ward, Tokyo; 50 units in total)" with fixed-term leasehold on land adjacent to "Toho Gakkai Main Building," a historical building designated as an important property in forming the landscape of Chiyoda Ward, Tokyo, and promoting the condominium sales business (partly with general leasehold) by acquiring land for business use ("Minato-ku Nishiazabu 2-chome Project" (tentative name)), which is located in Nishiazabu, Minato Ward, Tokyo.

7) Implementation of Strategic M&As

As mentioned above, ES-CON JAPAN made Picasso and seven companies engaged in the real estate leasing and other businesses its subsidiaries in October 2021. Picasso Co., Ltd., founded in 1991 in Osaka City, along with its group companies is engaged in the real estate leasing business mainly in the Kansai region. It owns numerous outstanding revenue-generating assets such as rental apartments and office buildings. The acquisition of subsidiaries will rapidly progress the "transformation" of the revenue structure in the fourth medium-term management plan by enhancing the real estate leasing business and securing stable revenues, and thus we believe it will contribute dramatically to the sustained growth of the ES-CON JAPAN Group.

In addition, in January 2022, we made FUEL, whose businesses include managing online funds and providing computer systems to crowdfunding businesses in accordance with the Act on Specified Joint Real Estate Ventures of Japan, a subsidiary. Taking this opportunity, the Group will be able to enhance the quality and quantity of its existing businesses and expand its domain in terms of human resources, functions, and systems. It will also make possible the rapid establishment of a system that will enable it to take on the challenge of new real estate digital transformation (DX) businesses (such as ST and CF^(*)) 5 to 10 years in the future.

We will continue to discuss positively with companies, etc. that have issues such as the absence of successors and are thinking of business succession, and will continue to actively consider M&A projects that do not appear in the market, with an aim to enhance the Group's businesses and expand its domain.

* 1 ST (Security Token) refers to investment management through the issuance of digital securities using blockchain technology.

CF (Crowdfunding) is a method of calling for funding from a large number of unspecified people via the Internet and raising funds from those who agree with the purpose.

8) Take on the Challenges of New Business Domains

We are promoting diversification of business contents by stating "growing new businesses into core businesses" and "taking on the challenges of new business domains" in the fourth medium-term management plan. In January 2022, we established the Strategic Business Division, and by this, we are accelerating efforts for future generations.

Specifically, we are also engaged in multiple businesses overseas while carefully assessing the impact of the COVID-19 pandemic. In August 2021, the Company participated in Waikiki Galleria Tower, a retail and office complex value-add project located in Honolulu, Hawaii. The project is primarily being carried out by BlackSand Capital, LLC, a real estate investment advisory company. In October 2021, we invested in Crow Holdings Realty Partners IX, L.P., a real estate investment fund formed by Crow Holdings Capital, a real estate company in Texas, U.S.A.

In addition, in March 2022, we invested in Agya Ventures Fund L.P., a fund that makes specialized investment in real estate-related venture companies and managed by Agya Ventures Fund (GP) LLC of the U.S. Through this investment, we will strengthen information collection of promising real estate tech^(*) companies overseas, and strive to build partnerships and develop joint ventures with promising overseas real estate companies that have not yet entered Japan. The purpose is to lead these into the further expansion of the Group's business domain and the creation of innovation.

In December 2021, we entered into a basic agreement on the world's most advanced housing development with Serendix Inc., a company that aims to develop "Sphere," the world's most advanced house using 3D printing technology originating from Japan, and invested in the company. We will cooperate in research toward the development of Sphere and, in the future, apply the Sphere technology to fields other than housing such as stores, offices, and warehouses.

In addition, ES-CON JAPAN has been promoting sales of permanent use rights of Ryomon, an urban-type columbarium in Minato Ward, Tokyo, since March 2021 in an effort to solve problems facing modern society such as the fact that obtaining graves is considerably difficult, particularly in urban areas.

We will continue to focus on initiatives in new business fields with a view to the next era and implement a multifaceted real estate business.

* 2 Real estate tech indicates efforts to use technology to solve problems in the real estate industry and change traditional business practices.

9) Initiatives for Public REIT and Private REIT Businesses

ESCON JAPAN REIT Investment Corporation (hereinafter “EJR”), conducted two public offerings to date, with ESCON Asset Management Ltd. (hereinafter “EAM”), our consolidated subsidiary, as the company entrusted with asset management. The asset size steadily expanded, from 41.6 billion yen at the time of listing to 69.6 billion yen after the capital increase. As the sponsor of EJR, the ES-CON JAPAN Group supports the enhancement of EJR’s income and stable growth.

In addition to the public REIT business of EJR, we plan to form and commence operation of a private real estate investment trust. We have formed private funds operating a total of 10 buildings in the metropolitan areas of Tokyo, Kanagawa, and Saitama, respectively. We will be preparing for the formation of a private REIT by leveraging the Group’s expertise in condominium development.

10) Status of ESG Initiatives

One of our key management strategies is addressing social issues through promotion of ESG initiatives. The “ESG Promotion Group,” comprising members selected from each department and headed by the director in charge of the President’s Office, and the “Health & Culture Fostering Team” for further promotion of health management, lead ESG initiatives.

The contents of the most recent major initiatives are as follows.

1. Environment (E)

• Acquisition of Various Certifications

In May 2020, ES-CON JAPAN acquired EcoAction 21 Certification, a Japanese environmental management system (EMS) established by the Ministry of the Environment. Furthermore, “tonarie Fujimino,” a commercial facility owned by ES-CON JAPAN, obtained “Rank S,” the highest rank of the Certification for CASBEE ^{(*)3} for Real Estate from a CASBEE accreditation body authorized by the Institute for Building Environment and Energy Conservation. Also, “tonarie Yamato-Takada,” “tonarie Toga-Mikita,” “tonarie Minamisenri,” “tonarie Seiwadai,” and “Asumigaoka Brand New Mall,” which are commercial facilities owned by EJR, obtained DBJ Green Building Certification from Development Bank of Japan Inc. Our group as a whole is working to improve the value of the facilities, and the six properties mentioned above are being operated and managed by our consolidated subsidiary ES-CON PROPERTY Ltd.

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

• Continuous and Proactive Development of Environmentally Friendly ZEH-compatible Housing

In November 2021, ES-CON JAPAN obtained ZEH^{(*)4}-M Oriented certification for its new condominium, “Le JADE Yao Sakuragaoka” (Yao City, Osaka Prefecture; 72 units in total). The property features excellent heat insulation performance and helps reduce annual primary energy consumption. This is our second ZEH condominium following “Le JADE Okurayama” (Kohoku Ward, Yokohama City; 25 units in total), which won the Good Design Award for the fiscal year 2021.

We will continue to make the most of the development know-how of a general developer and proactively work on the development of environmentally friendly ZEH condominiums.

Moreover, 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.

*4 ZEH (Net Zero Energy House) is a house aiming to make the annual primary energy consumption zero by introducing renewable energy after realizing significant conservation of energy while maintaining the quality of the indoor environment with significant improvement in the thermal insulation performance of the outer building skin as well as the introduction of a highly efficient equipment system.

- Construction and Operation of “Techno Farm Fukuroi,” a Vertical Farm Utilizing Fully Artificial Light
As mentioned above, we are collaborating with Chubu Electric Power and Spread to develop Techno Farm Fukuroi, which will be the world’s largest vertical farm utilizing fully artificial light and capable of producing 10 tons of lettuce per day. The three companies including ES-CON JAPAN will solve issues in food and agricultural fields through the plant factory business while also contributing to the realization of a sustainable and livable society and the achievement of SDGs by making efforts towards decarbonization such as the proactive use of green energy and effective use of CO₂ in the process of cultivation.

- Awarded Osaka Eco-Friendly Construction Award, Residential Section

In January 2022, the condominium “Le JADE Senri Aoyamadai (Suita City, Osaka Prefecture; 152 units in total)” won the Osaka Eco-Friendly Construction Award, Residential Section for the fiscal year 2021 (hosted by Osaka Prefecture and Osaka City). This was the first time for the Company to win the award which recognizes clients and designers of construction projects that are exemplary in terms of environmental consideration of buildings under the aim of promoting the spread of environmentally friendly buildings and raising awareness among residents of Osaka Prefecture.

2. Social (S)

- Support for Kitahiroshima City, Hokkaido Prefecture by Utilizing “Corporate Version of Hometown Tax”

ES-CON JAPAN donated 300 million yen to Kitahiroshima City, Hokkaido Prefecture, in March 2022 by utilizing the “Corporate Version of Hometown Tax” under the hope that further progress in urban development and its spread to various fields such as transportation, tourism, sports and education, etc. will contribute to the further development of the city. The funds will be utilized to maintain a vibrant city into the future.

- Contributing to Healthcare

Since 2020, we have been providing monetary donations to the Kyoto University “iPS Cell Research Fund” to support activities realizing provision of early and inexpensive treatment using iPS cells for people suffering from diseases and accidents.

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

- Contribution to Sports Promotion

In April 2021, we invested in Ryukyu Football Club Co., Ltd. (hereinafter “Ryukyu FC”) which operates FC Ryukyu, a professional soccer team. With this investment, we will contribute to the local community through sports promotion by securing a foothold for the creation of business opportunities in Okinawa as well as supporting Ryukyu FC’s regional revitalization activities in Okinawa Prefecture.

3. Governance (G)

- Establishment of Voluntary Committee on Nomination and Remuneration of Directors

In January 2020, we established the “Nomination and Remuneration Advisory Committee” with the 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. We have secured impartiality and transparency concerning election and remuneration of directors.

- Nurturing Successors

We also launched initiatives for a succession plan called the candidate successor system. We appointed a total of eight employed executive officers in January 2022.

- Diversity of the Board of Directors

In order to secure diversity of the board of directors, four independent directors (of which, one is female), which is half of the number of directors, are appointed. In addition, we have created a diverse board composition of a certified public accountant, tax accountant and attorney, a director experienced in corporate management and a securities analyst.

- Disclosure Based on the Framework of the Task Force on Climate-related Financial Information Disclosures (TCFD)

We regard climate change issues as one of our priority management strategies, and the ESG Promotion Group members are working as one to disclose financial information based on the TCFD framework.

After carrying out capacity building for management and all heads of departments and divisions and sharing it as an important company-wide issue, we have discussed the risks and opportunities associated with climate change in the condominium sales business, which is the main business of the Group, and the commercial facilities/revenue-generating real estate management business, mainly among heads of departments and divisions and ESG Promotion Group members.

We are currently working on selecting our scenarios based on important risks and opportunities in our businesses, and we will disclose the assessment of the financial impact based on our scenarios targeting June this year while planning to incorporate such as an important factor in future business strategies.

<Implementation schedule>

- December 2021

Implement capacity building with an aim to improve the knowledge related to TCFD

- March 2022

Assess the importance of business risks and opportunities

- April 2022

Select external scenarios and set ES-CON JAPAN's scenarios

- June 2022

Disclose assessment of the financial impacts of important risks and opportunities on climate change on ES-CON JAPAN's business (planned)

4. Other

We have been participating in Global ESG, an annual benchmark assessment measuring ESG consideration in the real estate sector, every year since 2018 with an aim to continuously improve the assessment results. In October 2021, we acquired "2 Stars" in the GRESB Rating, a five-grade evaluation system that reflects the applicant's relative evaluation based on the overall score, for efforts on environmental consideration and sustainability in the "Development Benchmark" (applicable period: January 1, 2020 to December 31, 2020). In addition, we acquired the "Green Star"^(*) rating for three consecutive years.

*5 The "Green Star" in the "Development Benchmark" is awarded to participants who score 50% or more in the absolute assessment based on the two main points, "Management Component" and "Development Component."

11) Business Development by Segment

In the real estate sales business, our core business, we are selling revenue-generating real estate and other properties, in addition to achieving progress in condominium sales.

In the condominium sales business, we have commenced selling of new sales projects including "Le JADE Sapporo Motomachi" (Higashi Ward, Sapporo City; 39 units in total), "Le JADE Hokkaido Ballpark" (Kitahiroshima City, Hokkaido Prefecture; 118 units in total), "Le JADE Shitennoji Yuhigaoka" (Tennoji Ward, Osaka City; 52 units in total). Four properties, namely "Le JADE Nishinomiya Kitaguchi Hinokuchicho" (Nishinomiya City, Hyogo Prefecture; 94 units in total), "Le JADE Tennoji Katsuyama" (Tennoji Ward, Osaka City; 39 units in total), "Le JADE Senri Furuedai" (Suita City, Osaka Prefecture; 71 units in total) and "Le JADE Suma Myohoji Ekimae" (Suma Ward, Kobe City; 40 units in total) were sold out. Two properties, namely "Le JADE Uehonmachi" (Tennoji Ward, Osaka City; 56 units in total) and "Le JADE Bio Makuhari Hongo" (Hanamigawa Ward, Chiba City; 70 units in total), which are under construction, have sold out.

In addition, we are steadily expanding our business area, including the progress of the condominium business in Hokkaido and the development of our first condominium in Kyushu, "Le JIAS Ohashi (Minami Ward, Fukuoka City; 140 units in total)."

In the real estate leasing business, we made Picasso and seven companies our subsidiaries as mentioned above, thereby securing stable earnings by strengthening the leasing business.

In other areas, a pop-up store of "MUJI" in "tonarie Minami-Senri Annex" opened in November 2021 will boast the largest sales floor area in the Kansai region in April 2022 and the development of aforementioned community-based shopping center "tonarie Hoshida (tentative name)" will launch. As such, we are working to secure stable rent income and improve the asset value of our commercial facilities.

In the real estate planning agency and consulting business, we have started selling permanent use rights for columbaria. Leveraging our strength in planning, we are focusing on non-asset, high-margin business, such as the commissioning business and the planning agency and consulting business.

As a result, operating results for the first quarter were net sales of 12,706 million yen (up 2.2%), operating income of 863 million yen (down 28.5%), ordinary income of 582 million yen (down 36.7%) and profit attributable to owners of parent of 235 million yen (down 63.6%), all compared with the same period of the previous year.

Operating results by segment are as follows (comparisons are with the same period of the previous year).

1) Real Estate Sales Business

In the real estate sales business, activities including selling of condominiums and revenue-generating real estate resulted in net sales of 9,854 million yen (down 8.1%) and segment income of 1,286 million yen (down 26.5%).

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 2,670 million yen (up 66.9%) and segment income of 1,056 million yen (up 53.7%).

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, resulting in net sales of 181 million yen (up 59.6%) and segment loss of 4 million yen (segment loss of 6 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 23,065 million yen compared with the end of the previous fiscal year to 275,837 million yen. This was mainly attributable to cash and deposits, inventories and non-current assets increasing by 879 million yen, 21,053 million yen and 1,321 million yen, respectively.

Liabilities increased by 26,593 million yen compared with the end of the previous fiscal year to 216,737 million yen. This was mainly attributable to long-term loans payable and short-term loans payable increasing by 26,099 million yen.

Net assets decreased by 3,528 million yen compared with the end of the previous fiscal year to 59,100 million yen. This was mainly attributable to cash dividends paid of 3,669 million yen, while recording profit attributable to owners of parent of 235 million yen. As a result, the equity ratio was 21.5% (24.8% 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 January 27, 2022.

In addition, we are promoting our business under the fourth medium-term management plan, which is for the three-year period from the fiscal year ended December 2021 through the fiscal year ending December 2023. The management targets for the fiscal year ending December 2023, which is the final fiscal year of the fourth medium-term management plan, have been partially revised, and details such as the contents of the plan 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. 2021 (as of Dec. 31, 2021)	First quarter of fiscal year ending Dec. 2022 (as of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	33,667	34,547
Notes and accounts receivable - trade	835	—
Notes and accounts receivable - trade and contract assets	—	858
Real estate for sale	7,541	6,983
Real estate for sale in process	123,419	145,030
Other	11,396	11,128
Allowance for doubtful accounts	(0)	(0)
Total current assets	176,859	198,547
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,312	23,662
Accumulated depreciation	(1,516)	(1,806)
Buildings and structures, net	21,795	21,856
Land	30,840	32,106
Other	387	396
Accumulated depreciation	(244)	(259)
Other, net	142	137
Total property, plant and equipment	52,778	54,100
Intangible assets		
Goodwill	8,217	8,087
Other	57	94
Total intangible assets	8,275	8,182
Investments and other assets		
Other	14,814	14,972
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	14,776	14,934
Total non-current assets	75,830	77,216
Deferred assets		
Share issuance cost	81	72
Total deferred assets	81	72
Total assets	252,771	275,837

(Unit: million yen)

	Fiscal year ended Dec. 2021 (as of Dec. 31, 2021)	First quarter of fiscal year ending Dec. 2022 (as of Mar. 31, 2022)
Liabilities		
Current liabilities		
Short-term loans payable	3,589	5,200
Current portion of long-term loans payable	82,912	88,698
Income taxes payable	1,653	122
Other	14,368	16,377
Total current liabilities	102,523	110,398
Non-current liabilities		
Long-term loans payable	76,533	95,235
Provision for directors' share-based benefits	135	135
Provision for share-based benefits	57	57
Asset retirement obligations	270	270
Other	10,622	10,639
Total non-current liabilities	87,619	106,338
Total liabilities	190,143	216,737
Net assets		
Shareholders' equity		
Capital stock	16,519	16,519
Capital surplus	12,396	12,398
Retained earnings	34,745	31,312
Treasury shares	(1,216)	(1,212)
Total shareholders' equity	62,445	59,017
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	371	285
Foreign currency translation adjustment	(36)	(39)
Total accumulated other comprehensive income	334	246
Subscription rights to shares	0	0
Non-controlling interests	(152)	(163)
Total net assets	62,628	59,100
Total liabilities and net assets	252,771	275,837

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

(Unit: million yen)

	First quarter of fiscal year ended Dec. 2021 (from Jan. 1, 2021 to Mar. 31, 2021)	First quarter of fiscal year ending Dec. 2022 (from Jan. 1, 2022 to Mar. 31, 2022)
Net sales	12,436	12,706
Cost of sales	9,080	9,428
Gross profit	3,356	3,277
Selling, general and administrative expenses	2,149	2,414
Operating income	1,207	863
Non-operating income		
Interest income	3	0
Dividend income	0	0
Penalty income	6	23
Foreign exchange gains	53	129
Share of profit of entities accounted for using equity method	—	5
Other	2	2
Total non-operating income	65	162
Non-operating expenses		
Interest expenses	309	433
Amortization of share issuance cost	—	9
Share of loss of entities accounted for using equity method	23	—
Other	20	0
Total non-operating expenses	352	442
Ordinary income	920	582
Extraordinary income		
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	0	0
Profit before income taxes	920	582
Income taxes - current	226	186
Income taxes - deferred	116	172
Total income taxes	342	358
Profit	577	224
Loss attributable to non-controlling interests	(70)	(11)
Profit attributable to owners of parent	647	235

(Quarterly Consolidated Statement of Comprehensive Income)

First quarter of fiscal year ending December 2022

(Unit: million yen)

	First quarter of fiscal year ended Dec. 2021 (from Jan. 1, 2021 to Mar. 31, 2021)	First quarter of fiscal year ending Dec. 2022 (from Jan. 1, 2022 to Mar. 31, 2022)
Profit	577	224
Other comprehensive income		
Valuation difference on available-for-sale securities	105	(85)
Foreign currency translation adjustment	(8)	(24)
Share of other comprehensive income of entities accounted for using equity method	13	21
Total other comprehensive income	110	(88)
Comprehensive income	688	135
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	758	146
Comprehensive income attributable to non-controlling interests	(70)	(11)

(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.

(Changes in Accounting Policies)

(Application of accounting standard for revenue recognition, etc.)

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter "Revenue Recognition Accounting Standard"), etc. have been applied from the beginning of the first quarter of the fiscal year ending December 2022, and we decided to recognize the amount expected to be received in exchange for goods or services at the time when control of promised goods or services is transferred to customers. As a result, although the total amount of consideration received from customers was previously recognized as revenue in some transactions, we decided to recognize the net amount arrived at by subtracting the amount paid to the supplier from the amount received from the customer as revenue for transactions in which the company or its domestic consolidated subsidiaries play the role of agents in provision of goods or services to customers.

Regarding the application of Revenue Recognition Accounting Standard, etc., in accordance with the transitional treatment stipulated in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effects of retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the first quarter of the fiscal year ending December 2022, has been added to or subtracted from retained earnings at the beginning of the first quarter of the fiscal year ending December 2022, and the new accounting policy is applied from said balance. As a result, there was no impact on the balance of retained earnings at the beginning of the first quarter of the fiscal year ending December 2022. Furthermore, the impact of the application of the accounting standard on the quarterly consolidated financial statements is minimal.

Due to the application of Revenue Recognition Accounting Standard, etc., "Notes and accounts receivable - trade" indicated under "Current assets" in the consolidated balance sheet for the previous fiscal year ended December 2021 have been decided to be included in "Notes and accounts receivable - trade and contract assets" from the first quarter of the fiscal year ending December 2022. In accordance with the transitional treatment stipulated in paragraph 89-2 of the Revenue Recognition Accounting Standard, figures for the previous fiscal year have not been reclassified in accordance with the new approach to presentation. Furthermore, in accordance with the transitional treatment stipulated in paragraph 28-15 of "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first quarter of the fiscal year ended December 2021 is not shown.

(Application of accounting standard for fair value measurement, etc.)

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter "Fair Value Measurement Accounting Standard"), etc., have been applied since the beginning of the first quarter of the fiscal year ending December 2022. In accordance with the transitional treatment stipulated in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), we decided to apply the new accounting policies set forth by the Fair Value Measurement Accounting Standard, etc. in the future. There was no impact on the quarterly consolidated financial statements.

(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 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 the relationship between remuneration for directors (excluding directors who are Audit and Supervisory Committee Members, external directors and non-executive directors) and (authorized) executive managing officers (hereinafter the “Directors, etc.” unless otherwise specified) and ES-CON JAPAN’s operating results and share price, with the Directors, etc. 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, etc. at the Regular General Meetings of Shareholders held on March 26, 2020, and 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 the fair market value of shares of ES-CON JAPAN are granted to ES-CON JAPAN’s Directors, etc. 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, etc. of ES-CON JAPAN when said Director, etc. retires from all positions such as director in principle.

Under the System, for a set period of three fiscal years from the fiscal year ended 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, etc.
 - 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, etc. 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 2021, and 347 million yen and 851,000 shares for the first quarter of the fiscal year ending December 2022.

(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 (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 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 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 57 million yen and 225,700 shares for the fiscal year ended December 2021, and 57 million yen and 224,500 shares for the first quarter of the fiscal year ending December 2022.

(Segment Information, Etc.)

[Segment Information]

I. First quarter of fiscal year ended 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.

II. First quarter of fiscal year ending December 2022 (from January 1, 2022 to March 31, 2022)

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

(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						
Revenue from contracts with customers	9,854	228	181	10,265	—	10,265
Other revenue (Note 3)	—	2,441	—	2,441	—	2,441
Net sales to external customers	9,854	2,670	181	12,706	—	12,706
Intersegment net sales or transfers	—	—	—	—	—	—
Total	9,854	2,670	181	12,706	—	12,706
Segment income (loss)	1,286	1,056	(4)	2,338	(1,474)	863

(Note 1) The reconciliation of segment income or segment loss of -1,474 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.

(Note 3) "Other revenue" is rental income, etc. based on "Accounting Standard for Lease Transactions."

2. Information on Impairment Loss on Non-Current Assets or Goodwill, Etc. by Reporting Segment
Not applicable.

(Significant Subsequent Events)
Not applicable.

3. Other

Status of Contracts and Sales

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

Classification	First quarter of fiscal year ending Dec. 2022 (from Jan. 1, 2022 to Mar. 31, 2022)			
	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.	290	14,435	903	53,761
Other	—	1,292	—	17,310
Total	290	15,728	903	71,071

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

Name of segment	First quarter of fiscal year ending Dec. 2022 (from Jan. 1, 2022 to Mar. 31, 2022)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	221	8,742
	Tsuruma station front	—	323
	Other	—	789
	Subtotal	221	9,854
Real estate leasing business			2,670
Real estate planning agency and consulting business			181
	Total		12,706

(Note) There are no transactions between segments.