



Summary of Accounts for Fiscal Year Ended March 2024 (Japanese GAAP) (Consolidated)

April 24, 2024

Name of listed company: ES-CON JAPAN Ltd. Listing exchange: Tokyo Stock Exchange
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 Scheduled date for regular general meeting of shareholders: June 25, 2024
 Scheduled date for submission of periodic securities report: June 26, 2024
 Scheduled date for start of dividend payment: June 26, 2024
 Supplementary explanatory materials created for accounts? Yes/No: No
 Accounts briefing meeting held? Yes/No: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for fiscal year ended March 2024 (from January 1, 2023 to March 31, 2024)

(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	%
Fiscal year ended March 2024	118,861	—	19,074	—	16,585	—	10,050	—
Fiscal year ended Dec. 2022	99,431	25.8	15,492	49.2	14,012	54.0	7,250	21.6

Note: Comprehensive income

First four quarters of fiscal year ended March 2024: 9,629 million yen [-%]

Fiscal year ended Dec. 2022: 5,399 million yen [-9.6%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Return on assets	Operating margin
	yen	yen	%	%	%
Fiscal year ended March 2024	105.44	105.23	14.5	5.0	16.0
Fiscal year ended Dec. 2022	76.04	75.89	11.3	5.4	15.6

Reference: Share of profit (loss) of entities accounted for using equity method

First four quarters of fiscal year ended Mar. 2024: -219 million yen

Fiscal year ended Dec. 2022 : -16 million yen

Note: For the fiscal year ended March 2024, irregular results for 15 months have been provided due to a change in the fiscal year. Therefore, increase (decrease) compared with the period is not presented for the fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
Fiscal year ended March 2024	399,696	70,702	18.1	759.56
Fiscal year ended Dec. 2022	263,729	64,144	25.0	691.87

Reference: Equity

Fiscal year ended March 2024: 72,503 million yen

Fiscal year ended Dec. 2022: 65,906 million yen

(3) Consolidated cash flow

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
Fiscal year ended March 2024	(68,892)	(32,611)	114,585	48,712
Fiscal year ended Dec. 2022	1,501	(1,620)	2,144	35,604

2. Dividends

	Annual dividend						Total dividend amount (Total)	Dividend payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	End of fourth quarter	Year-end	Total			
	yen	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended Dec. 2022	—	0.00	—	—	38.00	38.00	3,673	50.0	5.6
Fiscal year ended Mar. 2024	—	0.00	—	—	48.00	48.00	4,648	45.5	6.6
Fiscal year ending Mar. 2025 (Forecast)	—	0.00	—	—	48.00	48.00		45.8	

3. Consolidated earnings forecast for fiscal year ending March 2025 (from April 1, 2024 to March 31, 2025)

(% figures show the rate of increase (decrease) compared with the previous fiscal 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
Second quarter (cumulative)	30,000	—	3,500	—	2,100	—	1,400	—	14.67
Full fiscal year	118,000	—	18,000	—	15,000	—	10,000	—	104.76

Notes: 1. Revisions from latest earnings forecast: None

2. As mentioned above, due to the change in the fiscal year-end (the end of the fiscal year), the fiscal year ended March 2024 is an irregular 15-month accounting period from January 1, 2023 to March 31, 2024. Therefore, increase (decrease) compared with the previous period is not presented for the fiscal year ended March 2024.

* Explanatory notes

(1) Changes in significant subsidiaries during the first four quarters: None

Newly included: — (Company name)

Excluded: — (Company name)

(2) 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

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

1) Number of shares issued and outstanding (including treasury shares) at end of fiscal year	Fiscal year ended Mar. 2024	98,580,887 shares	Fiscal year ended Dec. 2022	98,580,887 shares
2) Number of treasury shares at end of period	Fiscal year ended Mar. 2024	3,125,950 shares	Fiscal year ended Dec. 2022	3,322,800 shares
3) Average number of shares during period	Fiscal year ended Mar. 2024	95,319,986 shares	Fiscal year ended Dec. 2022	95,356,315 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 (fiscal year ended March 2024: 851,000 shares in the board benefit trust for executives and 542,000 shares in the share-based payment benefits-type ESOP trust). In the calculation of the average number of shares during the fiscal year, the treasury shares to be subtracted in that calculation includes ES-CON JAPAN shares held in the share-based payment benefits trust for directors and the share-based payment benefits-type ESOP trust (fiscal year ended March 2024: 1,398,306 shares).

(Reference) Non-consolidated results

1. Non-consolidated results for fiscal year ended March 2024 (from January 1, 2023 to March 31, 2024)

(1) Non-consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended Mar. 2024	104,757	—	16,280	—	14,817	—	8,409	—
Fiscal year ended Dec. 2022	89,999	22.6	13,854	35.7	13,068	40.3	7,100	10.4

	Basic earnings per share	Diluted earnings per share
	yen	yen
Fiscal year ended Mar. 2024	88.22	88.05
Fiscal year ended Dec. 2022	74.47	74.33

(Note) For the fiscal year ended March 2024, irregular results for 15 months have been provided due to a change in the fiscal year. Therefore, increase (decrease) compared with the period is not presented for the fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
Fiscal year ended Mar. 2024	372,517	71,052	19.1	744.35
Fiscal year ended Dec. 2022	245,466	66,135	26.9	694.27

Reference: Equity

Fiscal year ended Mar. 2024: 71,051 million yen Fiscal year ended Dec. 2022: 66,134 million yen

- * This summary of accounts is not subject to 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; 1. Overview of Operating Results, Etc.; (1) Analysis of Operating Results" on page 2.

○ Contents of Attachment

1. Summary of Operating Results, Etc.	6
(1) Analysis of Operating Results	6
(2) Analysis of Financial Position	20
(3) Basic Policy on Distribution of Profit, and Dividend for the Fiscal Year Under Review and Next Fiscal Year	20
(4) Business Risks	21
2. Management Policy	19
(1) Basic Policy on Corporate Management	19
(2) Medium- to Long-Term Corporate Management Strategy and Management Indicator Targets	19
(3) Stable Business Growth in Accordance with Each Segment	20
(4) Business and Financial Issues to Be Addressed on a Priority Basis	20
3. Basic Policy on Selection of Accounting Standard	22
4. Consolidated Financial Statements and Key Notes	23
(1) Consolidated Balance Sheet	23
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	25
(Consolidated Statement of Income)	25
(Consolidated Statement of Comprehensive Income)	26
(3) Consolidated Statement of Changes in Equity	27
(4) Consolidated Statement of Cash Flows	29
(5) Notes to Consolidated Financial Statements	31
(Notes on Going Concern Assumption)	31
(Changes in Accounting Policies)	31
(Additional Information)	31
(Segment Information, Etc.)	32
5. Other	35
(1) Status of Contracts and Sales	35

1. Summary of Operating Results, Etc.

(1) Analysis of Operating Results

For the fiscal year ended March 2024, irregular results for 15 months have been provided due to a change in the fiscal year. Therefore, increase (decrease) compared with the period is not presented for the fiscal year.

In the fiscal year under review (fiscal year ended March 2024), the Japanese economy continued to see a moderate recovery trend in business conditions centered on domestic demand such as signs of recovery in consumer spending and the employment environment as the normalization of domestic economic activities and the recovery of inbound demand have progressed. On the other hand, various factors continue to exert downward pressure on the market, including rising prices, the ongoing depreciation of the yen, and monetary tightening. Looking overseas, the deceleration in the Chinese economy, the situation in the Middle East and other geopolitical risks continue to threaten downward pressure.

In the real estate industry in which the ES-CON JAPAN Group operates, there are concerns over rising construction costs due to spiking land acquisition prices and raw material costs, as well as cost increases such as surging personnel expenses caused by personnel shortages. Conditions meriting close monitoring of the impact of these on the market are persisting.

While the business environment remains difficult to predict, based on the basic policy of “Transformation and Rapid Progress” under our fourth medium-term management plan “IDEAL to REAL 2023” (for the three years from the fiscal year ended December 2021 to the fiscal year ended March 2024), we established firm management foundations capable of withstanding any economic environment and sought to assure sustainable growth by maximizing corporate value. In general, our operating results for the fiscal year under review, the final year of our fourth medium-term management plan, reflected steady progress in condominium sales, which account for our leading business. ES-CON JAPAN achieved net sales of 118,861 million yen (0.9% increase versus initial plan), operating income of 19,074 million yen (6.0% increase versus initial plan) and ordinary income of 16,585 million yen (7.0% increase versus initial plan), with profit attributable to owners of parent coming to 10,050 million yen (0.5% increase versus initial plan), our highest profit on record.

1) Status of Achievement of Fourth Medium-Term Management Plan “IDEAL to REAL 2023”

(a) Business Performance Plan

(Unit: million yen)

	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ended Mar. 2024			
	Actual	Actual	Actual	Revised plan (15 months)	Change	Increase/decrease (%)
Net sales	79,017	99,431	118,861	120,000	(1,139)	(0.9%)
Operating income	10,381	15,492	19,074	18,000	1,074	6.0%

(b) Management Targets

	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year end of Mar. 2024		
	Actual	Actual	Actual	Revised plan (15 months)	Change
Share of profits from leasing ¹	21.2%	21.5%	27.1%	28.0%	(0.9%)
ROE	11.8%	11.3%	14.5%	15.0%	(0.5%)
ROIC ²	3.2%	4.6%	3.6%	4.0%	(0.4%)
Equity ratio	24.8%	25.0%	18.1%	20.0%	(1.9%)
Share of long-term earnings from real estate ³	20.6%	19.5%	18.6%	21.0%	(2.4%)
Net assets	62.6 billion yen	64.1 billion yen	70.7 billion yen	71.0 billion yen	200 million yen

- Notes: 1. Share of profits for leasing: Leasing segment profits / Total segment profits (excluding adjustments)
2. ROIC: Net operating income after taxes / (the sum of shareholders' equity + interest-bearing liabilities)
3. Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as non-current assets / Total assets

(c) Investment Plan

(Unit: million yen)

	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ended Mar. 2024			Three-year cumulative total	
	Actual	Actual	Actual	Revised plan (15 months)	Change	Actual	Revised plan (15 months)
Investment in revenue-generating real estate	767	108	609	665	(56)	1,484	1,540
Investment in other development	191	261	577	308	269	1,029	760
Gross investment	959	369	1,186	972	214	2,514	2,300

2) Establishment of Long-Term Vision 2030 and Fifth Medium-Term Management Plan

In March 2024, ES-CON announced its Long-Term Vision 2023, which lays out what kind of company it wants to be by FY2030 and the direction it is aiming for, and its Fifth Medium-Term Management Plan (fiscal year ended March 2024 to fiscal year ending March 2027), which constitutes Phase I toward the realization of the Long-Term Vision 2030, as guidelines and strategies for continuing sustained long-term growth.

(a) Long-Term Vision 2023

- Direction aimed for “Deepening” and “Evolution”
Creating a virtuous cycle of sustainable growth based on the dual focuses of business strategy and sustainability management while striving to strengthen true corporate value in aspects that transcend financial indicators alone
- FY2030 Indicators Ordinary income of 300.0 billion yen/real estate assets*1 of 1 trillion yen
Real estate assets: Owned assets + AUM from funds arranged by ESCON JAPAN REIT Investment Corporation and FUEL Inc., etc.

(b) Fifth Medium-Term Management Plan

- Financial Results Plan
In the year ended March 2025, ES-CON JAPAN anticipates sales and profits at levels equivalent to this year (fiscal year ending March 2024). Thereafter, we expect stable growth in sales and profits.

(Unit: million yen)

	Fiscal year ending Mar. 2024	Fiscal year ending Mar. 2025	Fiscal year ending Mar. 2026	Fiscal year ending Mar. 2027
	Actual	Plan	Plan	Plan
Net sales	1,188	1,180	1,330	1,570
Operating income	190	180	200	220

- Investment plan

ES-CON JAPAN is planning three-year cumulative investment during the period of the fifth Medium-Term Plan to be 250.0 billion yen. Investment proceeded at a higher level than expected in the Fourth Medium-Term Management Plan, so the level is equivalent to the projected figure for that plan.

(Unit: million yen)

	Fourth Medium-term Management Plan				Fifth Medium-term Management Plan				A+B
	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ended Mar. 2024	Three-year cumulative total	Fiscal year ending Mar. 2025	Fiscal year ending Mar. 2026	Fiscal year ending Mar. 2027	Three-year cumulative total	
	Actual	Actual	Actual	A	Plan	Plan	Plan	B	
Gross investment total	976	375	1,249	2,600	610	770	1,120	2,500	5,100
Condominium development	192	176	276	644	200	200	250	650	1,294
Revenue-generating property development	57	122	408	587	200	300	500	1,000	1,587
Acquisition of revenue-generating properties in operation	711	71	500	1,283	150	200	300	650	1,933
Overseas investment	7	4	55	66	50	60	60	170	236
Other	9	2	10	21	10	10	10	30	51
Recoupment	48	65	164	277	284	308	417	1,009	1,286
Amount recouped from revenue-generating properties	34	42	23	99	121	142	242	505	604
Net investment	928	310	1,085	2,323	326	462	703	1,491	3,814

- Management indicators

Management will pursue both maintenance/improvement of safety through building up stock revenue and maintenance of high capital efficiency.

With regard to management that is aware of capital costs and the stock price, ES-CON JAPAN will realize profit growth that meets the expectations of stakeholders, and, as a concrete indicator, it will promote management that is aware of raising ROE above shareholder equity costs and ROIC above WACC.

	Fiscal year ended Mar. 2024	Fiscal year ending Mar. 2025	Fiscal year ending Mar. 2026	Fiscal year ending Mar. 2027
	Actual	Plan	Plan	Plan
ROE	14.5%	13.4%	13.9%	14.0%
ROIC ^{*1}	4.5%	3.4%	3.5%	3.6%
Stock earnings ratio ^{*2, 3}	25.0%	30.4%	28.2%	30.0%
Stock earnings / general and administrative expense coverage ratio (cash basis) ^{*4}	112.0%	119.0%	114.2%	116.8%
Equity ratio	18.1%	17.5%	17.6%	17.5%

(Notes) 1. ROIC: (consolidated ordinary income + interest expenses – interest income – income taxes) / (interest bearing debt + net assets averages at end of term)

2. Stock earnings: Real estate leasing segment profit + asset management segment profit

3. Stock earnings ratio: Stock earnings / total segment profit

4. Stock earnings / general and administrative expenses coverage ratio: (stock earnings + real estate leasing segment depreciation + real estate leasing segment goodwill amortization) / (general and administrative expenses – general and administrative expense depreciation – overall goodwill amortization)

- Dividend policy

ES-CON JAPAN's progressive dividend policy deployed in November 2016 as its dividend policy (the dividend per share must not be lower than the dividend per share of the previous fiscal year (DPS), and in principle ES-CON JAPAN Ltd. will only maintain or increase the dividend, not decrease it), it will be continued on in the Fifth Medium-Term Management Plan as well.

For the fiscal year ended March 2024, the year-end dividend forecast is 48 yen per share.

3) Revision of Management Philosophy System

In order to continue growing sustainably over the long term in any environment, we revised the management philosophy system, which serves as the "foundation" for all executives and employees of the group in corporate activities, in November 2023. The new management philosophy system consists of three components: "Purpose," "Vision" and "Principles of Action," and we will continue to set "IDEAL to REAL" for "Purpose," which indicates the significance of ES-CON JAPAN Group's existence in society. While maintaining the main purpose of the management philosophy system until now and inheriting its spirit, the entire group will work together under the new management philosophy system to continue contributing to society and ensure future sustainable growth.

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

ES-CON JAPAN is currently engaged in its fifth project, the development of TSUNAGU GARDEN SENRI FUJISHIRODAI (Fujishirodai, Suita City, Osaka Prefecture), as a joint project with Chuden Real Estate Co., Inc. (hereinafter "Chuden Real Estate"), a wholly owned subsidiary of Chubu Electric Power. The project is the first mixed-use development project jointly conducted with Chuden Real Estate Co., Inc. and will establish a "new multi-generational urban district" through the integrated development of collective housing, detached dwellings, a clinic mall, an authorized daycare center, commercial facilities, and a park on 20,000 tsubo of land. The name of the project is imbued with the message of connecting nature, multiple generations, lifestyles, the environment, safety, and security, based on the concept of "a future life of continued connection." Of the entire block, the commercial district opened on November 7, 2023. In the residential district, we have commenced the sale of the condominium "Le JADE City Senri Fujishirodai (244 units in total)" in October 2023.

In addition, all units of "SEVENS VILLA Karuizawa (7 units in total)," a condominium that was developed jointly with Chuden Real Estate in Karuizawa, Nagano Prefecture, were sold out in October 2023 as a result of product planning utilizing the characteristic of a rare location surrounded by lush nature.

Two projects are currently underway as joint projects with Chubu Electric Power. In August 2022, a consortium of businesses led by Chubu Electric Power, of which ES-CON Japan is a member, entered into a basic planning agreement for the development project at the former site of Nagoya Horse Racing Track. In addition, we established TSUNAGU Community Farm LLC with Chubu Electric Power and Spread Co., Ltd. We also constructed 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. This farm made its first shipment in February 2024.

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."

5) Progress of Projects in Hokkaido

ES CON FIELD HOKKAIDO, with which ES-CON JAPAN has concluded a naming rights agreement, the new Hokkaido Nippon Ham Fighters stadium in Kitahiroshima City, Hokkaido, opened in March 2023. ES-CON JAPAN has participated in the urban development concept of HOKKAIDO BALLPARK F VILLAGE (total development area: approx. 36.7 ha; hereinafter "F VILLAGE") centered on the new stadium, and the condominium "Le JADE Hokkaido Ballpark" (118 units in total) situated in a rare location approximately 80 meters in a straight line from the stadium was sold out thanks to its popularity. Furthermore, MASTERS VARUS HOKKAIDO BALLPARK was decided as the name of the residence for active seniors with a medical mall being developed in the southeast corner of F VILLAGE. Moreover, informal agreements with six tenants for the medical mall F VILLAGE MEDICAL SQUARE have been reached. Tenants are scheduled to begin taking occupancy in June 2024. In November 2023, we acquired a project site on land facing the outfield seats of the new stadium across an aisle. The decision has been made to invite a brand hotel under the "Banyan Group," a leading independent hospitality group based in Singapore, to the site. In order to capture demand from people visiting F VILLAGE and tourists into Hokkaido, we plan to develop hotels by taking full advantage of the locational environment.

In addition, we are advancing development 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. Continuing from November 2021, we acquired part of the development site for the project in March 2023. We are in the process of developing a station square in front of JR Kitahiroshima Station, an exchange center complex comprising commercial facilities and a hotel, a three-dimensional indoor/outdoor plaza and park, and residential exchange facilities. Within this development project, it was decided that the commercial facilities and hotel would have 14 floors above ground, and the commercial facilities on the first to third floors would be named “tonarie Kitahiroshima.” “tonarie Kitahiroshima” is scheduled to open in March 2025 and will provide locally produced foodstuffs and products, restaurants for enjoying the flavor of regional ingredients, and entertainment offered in the city based on the concept of KITAHIRO “The GOOD” BASE, with the aim of being a facility for enjoying “Kitahiroshima” with stores and spaces in all areas of “food, living, entertainment, beauty and healthcare.” It is the eleventh facility in our commercial facility brand “tonarie” series.

Sales are scheduled to commence in May 2024 for Le Jade Hokkaido Kitahiroshima (Kitahiroshima City, Hokkaido; 197 units), developed on a location linking Kitahiroshima Station and tonarie Kitahiroshima via a pedestrian deck.

We have sold all units in Le JADE Sapporo Motomachi (Higashi Ward, Sapporo City; 39 units) and “Le JADE Sapporo Naebo (Higashi Ward, Sapporo City; 42 units in total)” and have also been making steady progress with projects in Hokkaido since last year, such as the acquisition of a project site of a logistics facility in Chitose City and project sites of a hotel, an office and a condominium in Sapporo City.

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.

- 6) Establishment of a new company “ES-CON Sports & Entertainment Ltd.”
ES-CON JAPAN established “ES-CON Sports & Entertainment Ltd.” (hereinafter the “new company”), a new company aiming to conduct real estate development specializing in entertainment including sports as well as participate in and support urban development projects centered on domestic stadiums and arenas, on December 1, 2023, together with Fighters Sports & Entertainment Co., Ltd. and DeNA Co., Ltd. The new company will proceed to engage in the consideration and progress of urban development incorporating elements of entertainment, including sports (real estate development and regional development). In March 2024, it entered an alliance with EY Strategy and Consulting Co., Ltd. to deploy a sustainable urban development and regional revitalization model incorporating stadiums, arenas, and entertainment. The new company will be engaged not only in future businesses within HOKKAIDO BALLPARK F VILLAGE but also in urban development support and consulting centered on stadiums and arenas throughout Japan.

- 7) Initiatives Aimed at Regional and Area Revitalization through Real Estate Development
Since February 2022, we have also conducted redevelopment to create a bustling atmosphere around the station through 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. For the residential building, we commenced unit sales for MID TOWER IWAKI (Iwaki City, Fukushima Prefecture; 216 units in total), the tallest barrier-free seismic isolation structure tower condominium in the city.
For a development project sited near Shin-Omura Station on the Nishi-Kyushu Shinkansen line in Omura City, Nagasaki Prefecture, we are undertaking a joint project together with Daiwa House Industry Co., Ltd. and Izumi Co., Ltd. SAKURA MIRAI SHIN OMURA was decided as the name of the project, and with the opening of the station in September 2022, the project entails developing 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. ES-CON JAPAN is engaged in the development of two condominiums called “Le JADE SHIN-OMURA STATION FRONT (119 units in total)” and “Le JADE SHIN-OMURA PARK SIDE (72 units in total)” in two blocks, and both will have an appearance aimed at harmony with the rich nature of the surrounding area by adopting an organic design reminiscent of trees changing direction as they grow upward rather than having a structure of floors and walls that are only horizontal and vertical.

In February 2023, we redesigned “tonarie Utsunomiya (Utsunomiya City, Tochigi Prefecture)” into a facility that can contribute to further revitalization of the region. In March 2023, “tonarie Hoshida (Katano City, Osaka Prefecture),” a community-based shopping center, opened in the area of the “Hoshida Station North Land Readjustment Project” (total area: approximately 26.4 ha). This is the tenth location in the tonarie series.

8) Promotion of Development of Various Condominiums in Rare Locations

We are not only expanding the number of units but also providing a diverse range centered on product plans that draw out the full value of sites purchased.

In January 2023, we acquired a project site in Karuizawa-machi, Kitasaku-gun, Nagano Prefecture. In the Karuizawa area, Ost Residence Karuizawa (33 units in total, sold out in 2021) won the Good Design Award for the fiscal year 2022 for recognition of its high-quality product planning. Furthermore, as mentioned above, “SEVENS VILLA Karuizawa (7 units in total),” which is a joint project with Chuden Real Estate, has realized a spacious and luxurious living space where only seven residences with an area of more than 100 m² stand on a development site of more than approximately 5,000 m², and all units have been delivered and sold out.

We have acquired two project sites in Hayama Town, Miura District, Kanagawa Prefecture, and are working to develop condominiums that fully utilize the abundant natural environment, such as Morito Beach. We are also promoting high-value-added product planning, such as early selling out ahead of schedule in December 2022 of “Le JADE Cross Chiyoda Jimbocho (50 units in total; completed in September 2023),” a new condominium for sale with fixed-term land lease rights currently under development in a site adjacent to the “Toho Gakkai Main Building,” a historic building designated as an important building for the scenic development of Chiyoda Ward, Tokyo.

9) Implementation of Strategic M&As

Following the Picasso Group in October 2021, ES-CON JAPAN converted Shijo-Omiya Building, which is involved in real estate leasing and other businesses, into a subsidiary in July 2023.

The company was founded in 2010 in Kyoto City and has developed its real estate leasing business mainly in the city, owning a number of prime revenue-generating assets, such as rental condominiums and commercial facilities.

We will continue to actively pursue strategic M&A projects to enhance the Group’s businesses and expand its domain.

10) Taking on the Challenges of New Business Domains

Our first self-developed office building in the Tokyo metropolitan area, ESCON Kudan Kita Building (completed in November 2022) received the 2023 Good Design Award for providing a new form of office building aimed to be an “experience-based office” that could not be achieved anywhere else due to fully utilizing the view.

In September 2023, we opened “tonarie medical Himeji Yumesakigawa,” our first clinic mall development project, in Himeji City, Hyogo Prefecture. It is a clinic mall that is more accessible to the local community, which is a new initiative.

Regarding our overseas business, to commence sales of luxury condominiums in Honolulu, Hawaii and to accompany marketing under our “ALIA” project in November 2023, we opened a sales gallery at our Tokyo headquarters. Through a subsidiary, we made a capital investment in “888 ALIA LLC,” an SPC formed as a fund for that project. Going forward, we will continue to focus on expanding our businesses overseas.

In January 2024, we made the decision to develop “SUIDEN RESORT” (tentative name), a series of hotels based on the concept of “agriculture,” across Japan with LOCAL RESORTS Inc. (formerly YAMAGATA DESIGN RESORTS Inc.; hereinafter “LOCAL RESORTS”), a subsidiary of urban developer SHONAI Inc. (formerly YAMAGATA DESIGN Inc.) that transforms challenges in regional cities into hope in partnerships with NEWGREEN INC. (formerly YUKIMAI DESIGN INC.; hereinafter “NEWGREEN”). To prepare for project implementation, we entered into a business alliance agreement with LOCAL RESORTS and made a capital investment of 200 million yen in NEWGREEN.

In February 2023, we entered into a capital and business alliance agreement with STYLY, INC., which operates the “STYLY” XR platform that collectively denotes VR (Virtual Reality), AR (Augmented Reality) and MR (Mixed Reality). By working with this company, we will proceed to examine other efforts, including providing new value-added utilizing XR in dormant spaces at commercial facilities owned and operated by the Group and the development of cooperative businesses incorporating XR in consulting for stadiums and arenas. Additionally, on

April 9, 2024, to complement the five major city areas currently hosting our head offices and branches, we opened an Okinawa Branch to promote full-fledged business development in Okinawa.

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.

11) Declaration of Support for TCFD Recommendations and Disclosures

Based on the goal of achieving a carbon-neutral society by 2050, we are seeking to create new value for the environment through next-generation urban development and related efforts.

As a key management strategy to address climate change, we have selected members from management and each department to create the ESG Promotion Group, which has worked on disclosing information based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations calling for analyzing risks and opportunities presented by climate change and promoting disclosure on them. The ES-CON JAPAN Group declared its support for the TCFD recommendations in June 2022.

Please visit our website (https://www.es-conjapan.co.jp/english/about_us/environment.php) for details of disclosures based on the TCFD recommendations (governance, strategies, risk management, indicators and targets on climate change risks and opportunities).

12) Status of ESG Initiatives

One of our key management strategies is addressing social issues through ESG promotion. Centered on the “ESG Promotion Group” and the “Health & Culture Fostering Team” designed to promote healthy management further, we will promote company-wide efforts and focus on enhancing essential company value that cannot be measured by financial information alone.

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

(a) Environment (E)

- Acquisition of Various Certifications

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(*1) 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 ESCON JAPAN REIT Investment Corporation (hereinafter “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 above six properties are being operated and managed by our subsidiary ES-CON PROPERTY Ltd.

*1 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.

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

We acquired “ZEH(*2)-M Oriented” certification, indicating properties that feature excellent heat insulation performance and help reduce annual primary energy consumption, starting with “Le JADE Okurayama” (Kohoku Ward, Yokohama City; 25 units in total),” which won the Good Design Award for the fiscal year 2021, and subsequently “Le JADE Yao Sakuragaoka (Yao City, Osaka Prefecture; 72 units in total),” “Le JADE Honkawagoe Koedo Terrace (Kawagoe City, Saitama Prefecture; 102 units in total),” “Le JADE KANAYAMA GRANDE (Naka Ward, Nagoya City; 87 units in total)” and “Le JADE Nagoya (Nakamura Ward, Nagoya City; 125 units in total)”. Additionally, we are currently applying for ZEH certification for “Le JADE Bishoen Ekimae (Higashiumiyoshi Ward, Osaka City; 35 units in total),” sales for which began in February 2024.

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 that are appreciated by our customers.

*2 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 previously mentioned, we developed 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 facility commenced shipments in February 2024. 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.
- Efforts to Promote the Use of Wood in the Development Project of the Former Site of Nagoya Horse Racing Track.
The Consortium has entered into the “Agreement on the Promotion of the Utilization of Wood in Public Buildings” with Aichi Prefecture. We will make efforts to contribute to decarbonization through the project, such as active utilization of wood produced in Aichi Prefecture.

(b) Social (S)

- Formulating General Employer Action Plans
ES-CON JAPAN has formulated and published general employer action plans (action period: January 1, 2023 to March 31, 2025) in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Women’s Active Engagement in Professional Life in order to help employees juggle their career and family and create a workplace where human resources, including women, can continue to be in employment and succeed.
- Received Certification as an “Excellent Health Management Corporation 2024”
We are promoting health management, believing that the health of our employees is the cornerstone of our business activities and an essential element for our sustainable growth. ES-CON JAPAN was certified an Excellent Health Management Corporation once again in 2024 after certification in 2023. This recognizes efforts to promote and enhance employee health, improve work comfort, and address diversity.
- Development of SUIDEN RESORT (Tentative Name) Hotels Based on the Concept of Agriculture
As stated under 10), we will link our knowhow together with that of the SHONAI Group to develop “SUIDEN RESORT” (tentative name) hotels across Japan. We will proceed to refine, safeguard and nurture locally produced, locally consumed foodstuffs, and other local tourism resources and, based on the pillars of tourism and agriculture, engage in vibrant urban development that includes promoting visitor footfall to those localities, agricultural support, and the creation of new employment.
- 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 both 2022 and 2023 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
We have been donating annually 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 injuries.
In 2022 and 2023, we co-sponsored the Osaka Great Santa Run 2022 charity running event (hosted by the Great Santa Organization in Osaka Akaru Club). The event is designed to give a part of participation fees to children who are battling disease as presents.
- Contribution to Sports Promotion
In April 2021, we invested in Ryukyu Football Club Co., Ltd., 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 while at the same time supporting FC Ryukyu’s regional revitalization activities deeply rooted in Okinawa Prefecture. Additionally, as mentioned above, we opened an Okinawa Branch on April 9, 2024.
- Human Resources Development
To achieve sustainable growth, recognizing the further enhancement of organizational power, human capital—that is, our employees or their knowledge, skills, talents, and the like—is our top priority, we have established a Human Resources Strategy Department in the Corporate Planning Division and formulated the “Basic Policy for Human Resources Development (Basic Human Resources Requirements)” as guidelines to accelerate “human resources development and employee growth.” We have formulated a human resources development

program to ensure that all employees understand and adhere to these guidelines and launched the program in the fiscal year ended March 2024. In addition, in order to cope with the impact of recent high prices and to maintain and improve employee engagement, as well as to secure talented human resources, ES-CON JAPAN has raised the base wages of Group employees by an average of 7.7% effective April 2023, and plans to do the same by an average of ●% in May 2024 also.

- Initiatives Related to Respect of Human Rights

Based on increasing global calls for corporate initiatives related to human rights, we are addressing human rights of all individuals involved in our business activities.

The Chubu Electric Power Group Basic Human Rights Policy (July 2023) set forth by the Chubu Electric Power Group declares our support and respect for international norms on human rights and the UN Guiding Principles on Business and Human Rights. As a member of the Chubu Electric Power Group, we will steadily promote human rights initiatives, including the ongoing implementation of human rights due diligence, a mechanism for identifying and assessing negative impacts our business activities may have on human rights, preventing or mitigating the risks of such impacts, and administering education and training for employees.

(c) Governance (G)

- Establishment of Voluntary Committee on Nomination and Remuneration of Directors

We established the “Nomination and Remuneration Advisory Committee” for the purpose of strengthening 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. Effective March 2023, three of the four committee members have been replaced by independent outside directors from the Board of Directors, who are members of the Audit and Supervisory Committee. In addition to ensuring fairness and transparency in the selection of directors and their compensation, ES-CON JAPAN strives to improve corporate governance by clarifying the right of Audit and Supervisory Committee members to express their opinions concerning director election and remuneration.

- Nurturing Successors

We also launched initiatives for a succession plan called the candidate successor system. We appointed a total of seven employed executive officers in April 2024.

- Diversity of the Board of Directors

At the 28th Annual General Meeting of Shareholders held in March 2023, one outside director and one director who is a member of the Audit and Supervisory Committee were newly elected, bringing the Board of Directors to a total of 10 members: three executive directors, three outside directors, and four directors who are also members of the Audit and Supervisory Committee. By appointing five independent directors (including one woman), which is half of the Board of Directors, ES-CON JAPAN has expanded the diversity of the Board of Directors and created a more effective governance structure.

- Promotion of Compliance Management

In October 2022, ES-CON JAPAN newly established the Compliance Office directly under the President in order to strengthen legal compliance and internal control systems.

In March 2023, we also reviewed our Compliance Code of Conduct and issued a compliance declaration. Through these efforts, we will thoroughly strengthen the promotion of compliance management throughout the Company and the Group.

(d) Other

We have been participating in the Global ESG Benchmark for Real Assets (GRESB), which is 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 2023, 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” (reporting period: January 1, 2022 to December 31, 2022). In addition, we acquired the “Green Star”(*3) rating for the fifth consecutive year.

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

13) Current Status of ES-CON ASSET MANAGEMENT Ltd.

On July 15, 2022, the commissioner of the Financial Services Agency implemented an administrative disposition, which consists of injunctions to suspend business operations and institute improved practices targeting our consolidated subsidiary ES-CON ASSET MANAGEMENT Ltd. (hereinafter "EAM"). In response, EAM formulated a business improvement report, which was submitted to and accepted by the commissioner of the Financial Services Agency on August 15, 2022, completing all responses to the Financial Services Agency. ES-CON JAPAN, the parent company of EAM and main sponsor of ESCON JAPAN REIT Investment Corporation ("EJR"), for which EAM is entrusted with asset management, took this administrative disposition on EAM with utmost seriousness and recognized the prevention of recurrence as a priority issue for our group as a whole. In order to build a system for managing conflicts of interest as mentioned above, we established the Compliance Office.

Furthermore, EAM has steadily proceeded with organizational and business reforms such as reviewing its management structure, including a change of representative and the termination of its concurrent position with ES-CON JAPAN in January 2023, and abolishing certain operations (type II financial instruments business, investment advisory and agency business, etc.) in June 2023. Furthermore, in the change of EJR's "Operational Guidelines" announced in September 2023, based on the belief that needs are stable for living in large cities with high living convenience and surrounding regions with easy access to large cities, an effort will be made to achieve steady growth of investment assets and maximize investor value by newly investing in housing and investing in assets that contribute to the realization of a sustainable society (initiatives leading to the resolution of a wide range of social issues in living faced by local communities), or investing in "life-based assets" mainly located in the five major urban areas, in addition to investment in commercial facilities and land with leasehold interest as in the past. We will maintain our advanced compliance stance while seeking long-term stability and growth of EJR's earnings.

14) 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 steady progress in condominium sales.

In the condominium sales business, ES-CON JAPAN has commenced sales of new projects: "Le JADE Abeno Harimacho (Abeno Ward, Osaka City; 48 units in total)," "Le JADE City Hashimoto I & II (Midori Ward, Sagami-hara City; 69 units in total for I and 87 units in total for II)," "Le JADE Minoh Semba (Minoh City, Osaka Prefecture; 30 units in total)," "Le JADE Sapporo Naebo (Higashi Ward, Sapporo City; 42 units in total)," "Le JADE Chigasaki Higashikaigan Minami (Chigasaki City, Kanagawa Prefecture; 31 units in total)," "Le JADE Shinyokohama (Kohoku Ward, Yokohama City; 190 units in total)," "Le JADE Fukuroi Ekimae (Fukuroi City, Shizuoka Prefecture; 48 units in total)," "Le JADE Tanimachi 5-chome (Chuo Ward, Osaka City; 42 units in total)," "Le JADE Kamitori (Chuo Ward, Kumamoto City; 138 units in total)," "Le JADE KANAYAMA GRANDE (Naka Ward, Nagoya City; 87 units in total)," "Le JADE SHIN-OMURA STATION FRONT and Le JADE SHIN-OMURA PARK SIDE (119 units in total and 72 units in total, Omura City, Nagasaki Prefecture)," "Le JADE Senri Fujishirodai 3-Chome (Suita City, Osaka; 127 units in total)," "Le JADE City Senri Fujishirodai (Suita City, Osaka; 244 units in total)," "Le JADE Nagoya (Nakamura Ward, Nagoya City; 125 units in total)," "Le JADE Nanko HANA-TERRACE (Suminoe Ward, Osaka City; 55 units in total)," "Le JIAS OHASHI DUX (Minami Ward, Fukuoka City; 90 units in total)" and "Le JADE Bishoen Ekimae" (Higashisumiyoshi Ward, Osaka City; 35 units in total). Of the properties completed this fiscal year, at 14 properties, including "Le JADE Hokkaido Ball Park (Kitahiroshima City, Hokkaido; 118 units in total)," all units are delivered, and at 4 properties including "Le JADE Fukuroi Ekimae (Fukuroi City, Shizuoka Prefecture; 48 units in total)" among those scheduled for delivery in the next fiscal year, all units are contracted to sell out.

In addition, as mentioned earlier, we are expanding our business area by steadily progressing the development business including the condominiums in Hokkaido, and we have begun development in Nagasaki following Fukuoka and Kumamoto in Kyushu. On top of these, we are making a foray into Okinawa.

In the real estate leasing business, as mentioned above, we made Shijo-Omiya Building Co., Ltd our subsidiary in addition to the Picasso Group, bringing in market capitalization of 42 billion yen and 43 properties into assets held by the Group, and thereby expect to secure stable earnings by further strengthening the leasing business. Furthermore, based on the concept of "a residence for expressing oneself and enjoying the now in life," we launched the new "TOPAZ" brand of rental residences. In Greater Tokyo, we developed TOPAZ properties in Okachimachi and Honatsugi; in Kansai, we developed one in Esaka. "TOPAZ Shin-Okachimachi" received the 2023 Good Design Award. We also have plans to implement new projects in the future.

We are striving to secure stable rental income from commercial facilities and increase asset value, such as by the opening of the aforementioned community-based shopping center “tonarie Hoshida (Katano City, Osaka Prefecture)” in March 2023 and plans for the addition of “tonarie Kitahiroshima (Kitahiroshima City, Hokkaido Prefecture)” in March 2025.

In the real estate planning agency and consulting business, we have started sales of the permanent use rights to our urban columbarium. 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, ES-CON JAPAN achieved net sales of 118,861 million yen, operating income of 19,074 million yen, ordinary income of 16,585 million yen, and profit attributable to owners of parent of 10,050 million yen for the fiscal year under review.

The following describes the operating results per segment (comparisons are with the same period of the previous fiscal year).

(i) Real estate sales business

In the real estate sales business, sales of condominiums and revenue-generating real estate were conducted, resulting in net sales of 99,606 million yen and segment income of 20,660 million yen.

(ii) Real estate leasing business

In the real estate leasing business, a focus was placed on leasing activities and the property management business in view of enhancement of asset value, including an increase in rental income of owned revenue-generating real estate, resulting in net sales of 18,325 million yen and segment income of 7,841 million yen.

(iii) 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 929 million yen and segment income of 419 million yen.

(Business Performance Forecast for the Next Fiscal Year and Progress in Medium-Term Management Plan)

Details on results for this fiscal year and plans for the next fiscal year and beyond are provided under “1. Summary of Operating Results, Etc., (1) Analysis of Operating Results, 2) Establishment of Long-Term Vision 2030 and 5th Medium-Term Management Plan.”

(Dividends for the Next Fiscal Year)

A dividend of 48 yen or higher per share is scheduled to be paid for the next fiscal year.

(2) Analysis of Financial Position

1) Status of Assets, Liabilities, and Net Assets

Assets at the end of the fiscal year under review increased by 135,966 million yen compared with the end of the previous fiscal year to 399,696 million yen. This was mainly attributable to cash and deposits, inventories and non-current assets increasing by 13,188 million yen, 87,522 million yen and 31,876 million yen, respectively.

Liabilities increased by 129,409 million yen compared with the end of the previous fiscal year to 328,994 million yen. This was mainly attributable to long-term loans payable and short-term loans payable increasing by 124,729 million yen.

Net assets increased by 6,557 million yen compared with the end of the previous fiscal year to 70,702 million yen. This was mainly attributable to cash dividends paid of 3,673 million yen, while profit attributable to owners of parent of 10,050 million yen was recorded. As a result, the equity ratio was 18.1% (25.0% at the end of the previous fiscal year).

2) Cash flows

Cash and cash equivalents (“net cash”) at the end of the fiscal year under review increased by 13,107 million yen compared with the end of the previous fiscal year to 48,712 million yen (35,604 million yen at the end of the previous fiscal year). The following outlines the cash flows and the factors of change in cash flows in the fiscal year under review.

(Cash flows from operating activities)

Net cash used in operating activities was 68,892 million yen (1,501 million yen provided by the previous fiscal year). This was mainly attributable to profit before income taxes of 15,203 million yen, an increase in inventories of 72,095 million yen, and income taxes paid of 8,818 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 32,611 million yen (1,620 million yen used in the previous fiscal year). This was mainly attributable to the purchase of investment securities of 1,227 million yen, the purchase of non-current assets of 4,972 million yen, the purchase of investments in subsidiaries resulting in change in scope of consolidation of 27,462 million yen, and proceeds from guarantee deposits received of 1,082 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 114,585 million yen (2,144 million yen provided in the previous fiscal year). This was mainly attributable to expenditures from and repayments of long-term loans payable and short-term loans payable amounting to net proceeds of 117,664 million yen and payment of cash dividends of 3,672 million yen.

Reference: Changes in cash flow indicators

	Fiscal year ended Dec. 2019	Fiscal year ended Dec. 2020	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ended Mar. 2024
Equity ratio (%)	25.3	25.8	24.8	25.0	18.1
Equity ratio on market capitalization basis (%)	50.7	39.3	30.5	29.2	25.7

Equity ratio: Equity / Total assets

Equity ratio on market capitalization basis: Market capitalization / Total assets

- (Notes)
1. Each is calculated using consolidated financial figures.
 2. Market capitalization is calculated by multiplying the closing share price at end of fiscal year by the number of shares issued and outstanding at the end of fiscal year.

(3) Basic Policy on Distribution of Profit, and Dividend for the Fiscal Year Under Review and Next Fiscal Year

Positioning the return of profit to shareholders as a key management task, ES-CON JAPAN makes it a basic policy to strive for uninterrupted and stable return of profit in line with corporate growth potential based on decisions that take into account the status of business performance, availability of internal reserves, dividend payout ratio and other factors in a comprehensive manner.

ES-CON JAPAN has introduced a progressive dividend policy to “not decrease the dividend amount, but rather only maintain or increase the dividend amount” in principle with DPS of the previous fiscal year as the lower limit, from the second medium-term management plan, and continues to implement the progressive dividend policy in the fifth medium-term management plan.

For the fiscal year ended March 2024, the year-end dividend forecast is 48 yen per share. The dividend payout ratio is 45.5%.

(4) Business Risks

The main risks that could impact the Group's operating results, share prices, financial status, etc., are listed below. Statements concerning future matters are based on the judgements of the ES-CON JAPAN Group as of the end of the fiscal year under review.

1) Impacts of Changes in Economic Conditions, Interest Rate Trends, Real Estate Market Conditions, etc.

In the real estate sales business, we selectively acquire good-quality land for business, develop it making the best use of its locational characteristics, and provide attractive products including advantageous pricing. Upon the sale of properties, we take into account various factors in individual business plans by property and carefully consider price range. However, when sale at the price determined in the business plan fails to progress as planned due to worsening supply-demand balance caused by rising construction costs, economic trends, economic conditions, trends in interest rates, tax systems and land prices and other factors, or when delay in delivery or unexpected cost burden arises due to various factors, including unexpected defects such as underground obstacles, disorder

in construction at the construction stage, the business performance of the ES-CON JAPAN Group may be impacted.

Likewise, in the real estate leasing business, depending on the effects of economic trends or conditions, or moving out of main tenants or usage situations at commercial facilities, rents or occupancy rates of assets owned may decline, which can have an impact on the Group's operating results.

2) Legal Restrictions, Etc.

In addition to the restrictions of the Companies Act and the Financial Instruments and Exchange Act, the real estate industry to which the ES-CON Japan Group belongs is subject to the restrictions of the National Land Use Planning Act, Real Estate Brokerage Act, Building Standards Act, Act on Maintenance of Sanitation in Buildings, Act on Specified Joint Real Estate Ventures, Act on Securitization of Assets, Trust Business Act, Money Lending Business Act, and Act on Prevention of Transfer of Criminal Proceeds, etc.

In addition, the ES-CON Japan Group conducts real estate sales and related business as a real estate company licensed or registered under the Real Estate Brokerage Act, the Act on Advancement of Proper Condominium Management and the Act on Optimization of Rental Housing Management Business, etc., but the abolition of these or creation of new legal restrictions could affect the Group's business performance.

3) Dependence on Interest-Bearing Liabilities

The Group procures funds for land acquisition, etc. related to its real estate business primarily through borrowings from financial institutions involved in project finance. In our condominium sale business, it takes time to get from land acquisition to commercialization or sale, so the ratio of the balance of interest-bearing liabilities to total assets is relatively high. We are committed to building and maintaining good business relationships with financial institutions, including the main banks, and ensuring an expeditious financing environment after becoming a consolidated subsidiary of Chubu Electric Power Company, but if financing ends up being insufficient or unsatisfactory due to higher interest rates or a significant deterioration of the financial environment, it could affect the Group's business performance and financial position.

Note that interest-bearing liabilities for the three most recent fiscal years are as follows.

		Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ended Mar. 2024
Balance of interest-bearing liabilities (million yen)	(A)	163,034	169,065	293,794
Total net assets (million yen)	(B)	252,771	263,729	399,696
Dependency on interest-bearing liabilities (%)	(A/B)	64.5	64.1	73.5
Interest expenses (million yen)		1,463	1,895	2,650

4) Human Resources

Our real estate-related business requires diverse expertise, making personnel an extremely important business resource. For that reason, as its medium- to long-term strategy the Group espouses the promotion of "securing personnel who underpin growth," "reinforcing human resource development," and "promoting employee safety and health" as a unified trinity and the establishment of a firm human resource base. In order to conduct reliable business and grow as a Group, it is indispensable that we strive to share expertise and information and continue to improve employees' abilities as well as secure highly specialized personnel and employ, nurture, and educate executives and young employees who will be the leaders of the next generation. However, failing to secure or nurture the human resources sought by the Group or losing outstanding personnel who are currently present could affect the Group's business performance and future business development.

5) Personal Information Leakage and Information System Risks

As business operators handling personal information under the Act on the Protection of Personal Information, the various companies of the Group receive personal information of customers and clients in each of their businesses when developing them in a multidimensional way. This includes customers who purchase or consider purchasing condominiums or detached houses through the condominium sales business or reside in rental apartments as well as customers who purchase or consider purchasing permanent use rights in the columbarium business. The Group has set rules for the handling of personal information (basic policy, regulations, and manual) to establish an internal system and keeps personal data files under strict safekeeping with monitoring software and restricts access authority on the system in a bid to enhance the entire system as a whole to also manage information other than personal information.

Additionally, ES-CON JAPAN outsources part of the sale of condominiums to sales companies, and these companies are required to use part of ES-CON JAPAN's management system to prevent customer information from being leaked to third parties and handle customer information within the scope to ensure confidentiality. Simultaneously, ES-CON JAPAN conducts supervision that includes prohibiting personal information submitted by customers from being used for a non-intended purpose.

Cyberattacks have grown increasingly sophisticated in recent years. Like other organizations, the Group is exposed to cybersecurity threats. To minimize risks, ES-CON JAPAN is bolstering system-side countermeasures by introducing the latest security tools and administering periodic security training for employees.

Nevertheless, should personal information be leaked due to unforeseen circumstances, the Group's sales could fall due to its ruined credibility or compensation for damages may arise, and such may affect the Group's business performance.

6) Important Litigation

Regarding the risk of becoming subject to litigation, the Risk Management Committee consisting of directors, the heads of each division, and other members monitors risks and shares information across the Group. Important litigation, should it be filed in the future, could affect the Group's business performance and financial condition.

7) Risks Related to Climate Change

A society with increasing climate damage is assumed to be seen in the future, and the increasing risk on business continuity caused by climate change may have an impact on the Group's operating results and financial position.

In 2022, the Company endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, which assess the financial impact of risks and opportunities from climate change on management and encourage companies to make disclosures about it. We disclose information on the impact from climate change on our business based on TCFD's framework.

For details, please see“(1) Analysis of Operating Results, 11) Declaration of Support for TCFD Recommendations and Disclosures” above.

8) Legal Violation Risks

Should an employee or officer of the Group or Company violate any relevant laws as the Group conducts business (including the Companies Act, Real Estate Brokerage Act, Construction Industry Act, Licensed Architect Act, Financial Instruments and Exchange Act, Act on Investment Trusts and Investment Corporations, Act on the Protection of Personal Information, Money Lending Business Act, Act on Advancement of Proper Condominium Management, Labor Standards Act, and Employment Security Act), administrative disposition may be imposed by the authorities concerned. In this case, due to the Group's ruined social credibility and compensation for damages, its financial position, business performance, and reputation in the market may be affected.

2. Management Policy

(1) Basic Policy on Corporate Management

We recognize the need to improve and strengthen our corporate governance. We must do so to improve the soundness and transparency of management, build corporate value in sustainable fashion for the long term, and become a company needed by society in accordance with our “Purpose,” “Vision,” and “Principles of Action.”

Purpose (The Group’s societal reason for being and value for society)

“IDEAL to REAL: Bringing ideals into reality to create a new future”

We create value rooted in the community, helping to bring about cherished cities and living environments in which residents can take pride. The value we create represents our contributions to society. Consequently, each of us seeks to realize original forms of self-actualization through that value. While designing an ideal future, we will be creating a new future, with the aim of being regarded as a unique, essential presence by all our stakeholders.

Vision (Our ideal shape for achieving our Purpose)

“To Be A Life Developer” To develop not just buildings but the lives of those who live in them, with their happiness in mind –this is the kind of life developer we aspire to be. Through solutions proposed by cross-departmental teams made up of the best and brightest minds, we create a new prosperity unprecedented in the real estate industry, thereby connecting people with people and communities with the future.

Principles of Action (Actions we should take to realize our vision)

1. Provision of new value: We will use our information networks, planning ability, and product development expertise to tap the unlimited potential of real estate and create new value that responds to every need of our clients.
2. Sustainability management: We will respond to various social challenges with precision and pursue scenarios in which our company and society can grow sustainably and side by side.
3. Growth and stability: Rather than pursuing volume and scale, we aspire to achieve high-quality growth based on a keen awareness of capital and cash efficiency. At the same time, we seek to build firm financial and operational foundations capable of accommodating a broad range of business risk.
4. Management awareness: We will strive to achieve a strong offense in management that is always one step ahead by ensuring that all Group employees are aware of management issues and by continuing to be a company that practices rapid decision-making.
5. Compliance: We will comply with all applicable laws, regulations, and societal norms both within and outside Japan, maintain a keen awareness of compliance and governance issues, take appropriate action as human beings, and form an organization with great bottom-up communication.
6. Gratitude: We will act at all times in ways that demonstrate our clear appreciation and respect for colleagues, whether within or outside the company. We will seek to build and maintain strong working relationships.

(2) Medium- to Long-Term Corporate Management Strategy and Management Indicator Targets

To serve as guidelines and strategies for continuing sustained long-term growth, we established our “Long-Term Vision 2030,” which lays out what kind of company we want to be by FY2030 and the direction we are aiming for.

Seeing the direction, we are aiming for as “Deepening” and “Evolution” under each of the below items, we will proceed to carry out a variety of initiatives.

1) Priority themes for business strategy (Direction we are aiming for)

<<Deepening>>

- a. Further growth of main business
- b. Synergies with the Chubu Electric Power Group
- c. Further stabilizing the revenue structure
- d. Establishing management that accounts for capital costs and stock price

<<Evolution>>

- a. Diversification of development projects and types
- b. Expanding domestic area of operations
- c. Global expansion
- d. Challenge of new business domains

- e. New urban development and management
- f. Promoting DX

2) Priority themes for sustainability management (Materiality/Direction we are aiming for)

<<Deepening>>

- a. Harnessing diverse human resources
- b. Rigorous compliance
- c. Strengthening governance and risk management, including Group companies

<<Evolution>>

- a. Promoting a decarbonized society
- b. Achieving a society characterized by well-being

3) FY2030 Indicators

Ordinary income of 30 billion yen / real estate assets of 1 trillion yen

Details are provided under “1. Summary of Operating Results, Etc., (1) Analysis of Operating Results, 2) Establishment of Long-Term Vision 2030 and Fifth Medium-Term Management Plan.”

(3) Stable Business Growth in Accordance with Each Segment

To achieve the priority themes for business strategy set forth under Long-Term Vision 2030, we will strive to achieve stable growth by devising strategies specific to each segment.

In our condominium sales business and real estate development business (formerly real estate sales business), with commercial facility development positioned as our core, we are developing these businesses across diverse domains while monitoring market trends. Related efforts include the development of logistics facilities, offices, and hotels, as well as land readjustment projects to revitalize cities.

In our real estate lease business and asset management business (formerly real estate lease business), over the time covered by our fourth medium-term management plan, we converted the Picasso Group and Shijo Omiya Building Co., Ltd. into subsidiaries. Going forward, we plan to identify and assess potential mergers and acquisitions that do not appear on the market through discussions with companies and other entities looking for business successors while continuing to stabilize our revenue structure.

In our other businesses (including businesses formerly subsumed under the real estate planning agency and consulting business), in addition to launching the full-fledged development of capital investment operations overseas and elsewhere, we are undertaking sales efforts for the permanent use rights to our urban columbarium and otherwise enhancing the breadth and quality of our business domains.

(4) Business and Financial Issues to Be Addressed on a Priority Basis

The corporate operating environment, including the devaluation of the Japanese yen and rising costs and interest rates, will significantly affect economic trends. Furthermore, we are called on to urgently address various social problems ranging from global warming to the declining birthrate and aging population, decrease in population, gender issues, economic gap issues, and geopolitical risks, on top of digital transformation (DX) in various fields and fiercer competition that goes beyond industry boundaries. Moreover, the consumption behavior and values of customers are constantly and swiftly changing, and in order to achieve sustainable growth, businesses find themselves in an environment where they must provide true value to customers and society through business activities.

In order to realize sustainable growth through contributions to society under this environment of rapid diversification and change, we, as the ES-CON JAPAN Group, need to adopt new, flexible ideas not bound by precedent or established concepts, carry out business activities, and contribute to revitalizing the local community. Concurrently, we should strive to conduct stable management based on the solid financial foundation and grow surely and steadily through the satisfaction of our customers with the ultimate aim of being a “life developer” bringing the ideal into reality, building a future, and developing a lifestyle per se by envisioning the happiness of those living there.

Through a multifaceted real estate business that includes residential development, commercial development, logistics development, leasing business, office development, hotel development, overseas business, planning/consulting, facility operation management, asset management, capital investment operations overseas and elsewhere, and columbarium business, we must constantly strike the optimal balance of businesses in our operations and establish a firm management base that can withstand any economic environment. In addition, to achieve

sustainable growth, recognizing the further enhancement of organizational power, human capital—that is, our employees or their knowledge, skills, talents, and the like— is our top priority, we have started preparations to formulate our policy on human resources development, build an educational and training system, and disclose information on matters related to human capital.

We will carry through both “deepening” and “evolution” based on our dual focus on business strategy and sustainability management; create a virtuous cycle of sustainable growth for the Group; and, by doing our part for society, seek to achieve true corporate value that transcends financial indicators alone.

3. Basic Policy on Selection of Accounting Standard

The ES-CON JAPAN Group uses Japanese GAAP for the preparation of its consolidated financial statements in view of comparability for the period covered by the consolidated financial statements and inter-company comparability. The Group's policy is to respond to the application of IFRS in an appropriate manner, taking into account a variety of circumstances inside and outside Japan.

4. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2022 (as of Dec. 31, 2022)	Fiscal year ended Mar. 2024 (as of Mar. 31, 2024)
Assets		
Current assets		
Cash and deposits	35,721	48,910
Notes and accounts receivable - trade and contract assets	1,096	1,019
Real estate for sale	4,804	3,408
Real estate for sale in process	138,968	227,887
Other	10,766	14,267
Allowance for doubtful accounts	(1)	(1)
Total current assets	191,357	295,492
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,734	27,832
Accumulated depreciation	(2,353)	(4,198)
Buildings and structures, net	20,380	23,634
Machinery and vehicles	9	16
Accumulated depreciation	(9)	(10)
Buildings and structures, net	0	6
Land	31,535	51,311
Leased assets	2	2
Accumulated depreciation	(1)	(1)
Leased assets, net	1	1
Construction in progress	109	38
Other	395	435
Accumulated depreciation	(283)	(330)
Other, net	112	105
Total non-current assets	52,139	75,098
Intangible assets		
Goodwill	7,696	16,109
Other	77	61
Total intangible assets	7,774	16,170
Investments and other assets		
Investment securities	6,279	7,950
Long-term loans receivable	2,475	2,471
Deferred tax assets	352	73
Other	4,827	4,252
Allowance for doubtful accounts	(1,521)	(1,812)
Total investments and other assets	12,413	12,935
Total non-current assets	72,327	104,204
Deferred assets		
Share issuance cost	45	—
Total deferred assets	45	—
Total assets	263,729	399,696

(Unit: million yen)

	Fiscal year ended Dec. 2022 (as of Dec. 31, 2022)	Fiscal year ended Mar. 2024 (as of Mar. 31, 2024)
Liabilities		
Current liabilities		
Short-term loans payable	10,061	51,537
Current portion of long-term loans payable	26,193	42,699
Lease obligations	0	0
Accounts payable - other	4,702	2,887
Income taxes payable	3,258	594
Advances received	5,201	5,960
Deposits received	5,416	4,442
Other	856	458
Total current liabilities	55,690	108,580
Non-current liabilities		
Long-term loans payable	132,810	199,557
Lease obligations	1	0
Deferred tax liabilities	7,916	17,087
Provision for directors' share-based benefits	186	227
Provision for share-based benefits	109	116
Asset retirement obligations	271	277
Other	2,598	3,146
Total non-current liabilities	143,894	220,413
Total liabilities	199,585	328,994
Net assets		
Shareholders' equity		
Capital stock	16,519	16,519
Capital surplus	12,424	12,461
Retained earnings	38,326	44,703
Treasury shares	(1,457)	(1,383)
Total shareholders' equity	65,813	72,301
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79	149
Foreign currency translation adjustment	13	52
Total accumulated other comprehensive income	93	202
Subscription rights to shares	0	0
Non-controlling interests	(1,761)	(1,801)
Total net assets	64,144	70,702
Total liabilities and net assets	263,729	399,696

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

(Unit: million yen)

	Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)	Fiscal year ended Mar. 2023 (from Jan. 1, 2023 to Mar. 31, 2024)
Net sales	99,431	118,861
Cost of sales	72,823	83,919
Gross profit	26,607	34,941
Selling, general and administrative expenses		
Advertising expenses	3,180	4,621
Sales commission	1,110	1,262
Directors' compensations	256	434
Salaries and allowances	2,574	3,797
Provision for directors' share-based benefits	50	41
Provision for share-based benefits	55	14
Commission fee	620	893
Taxes and dues	874	1,068
Other	2,393	3,732
Total selling, general and administrative expenses	11,115	15,867
Operating income	15,492	19,074
Non-operating income		
Interest income	1	4
Dividend income	130	153
Penalty income	48	81
Foreign exchange gains	287	387
Other	9	27
Total non-operating income	478	654
Non-operating expenses		
Interest expenses	1,895	2,650
Amortization of share issuance cost	36	45
Share of loss of entities accounted for using equity method	16	219
Other	9	227
Total non-operating expenses	1,957	3,143
Ordinary income	14,012	16,585
Extraordinary income		
Gain on reversal of subscription rights to shares	0	0
Gain on sales of shares of subsidiaries and associates	205	—
Total extraordinary income	205	0
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Loss on compensation for damage	682	—
Provision of allowance for doubtful accounts	1,483	291
Impairment loss	1,760	814
Loss on payment of penalty fee	—	275
Total extraordinary losses	3,927	1,381
Profit before income taxes	10,290	15,203
Income taxes - current	4,782	5,788
Income taxes - deferred	(133)	(105)
Total income taxes	4,648	5,682
Profit	5,641	9,520
Net income attributable to noncontrolling interests	(1,608)	(529)
Profit attributable to owners of parent	7,250	10,050

(Consolidated Statement of Comprehensive Income)

(Unit: million yen)

	Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)	Fiscal year ended Mar. 2024 (from Jan. 1, 2023 to Mar. 31, 2024)
Profit	5,641	9,520
Other comprehensive income		
Valuation difference on available-for-sale securities	(292)	70
Foreign currency translation adjustment	22	(16)
Share of other comprehensive income of entities accounted for using equity method	27	55
Total other comprehensive income	(241)	109
Comprehensive income	5,399	9,629
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	7,008	10,159
Comprehensive income attributable to non-controlling interests	(1,608)	(529)

(3) Consolidated Statement of Changes in Equity

Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,519	12,396	34,745	(1,216)	62,445
Changes of items during period					
Dividends of surplus			(3,669)		(3,669)
Profit attributable to owners of parent			7,250		7,250
Disposal of treasury shares		27		52	79
Purchase of treasury shares as share-based payment benefits				(293)	(293)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	27	3,581	(241)	3,367
Balance at end of current period	16,519	12,424	38,326	(1,457)	65,813

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	371	(36)	334	0	(152)	62,628
Changes of items during period						
Dividends of surplus						(3,669)
Profit attributable to owners of parent						7,250
Disposal of treasury shares						79
Purchase of treasury shares as share-based payment benefits						(293)
Net changes of items other than shareholders' equity	(292)	50	(241)	(0)	(1,608)	(1,851)
Total changes of items during period	(292)	50	(241)	(0)	(1,608)	1,516
Balance at end of current period	79	13	93	0	(1,761)	64,144

Fiscal year ended December 2023 (from Jan. 1, 2023 to Dec. 31, 2023)

(Unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	16,519	12,424	38,326	(1,457)	65,813
Changes of items during period					
Dividends of surplus			(3,673)		(3,673)
Profit attributable to owners of parent			10,050		10,050
Disposal of treasury shares				(0)	(0)
Purchase of treasury shares as share-based payment benefits		37		74	111
Net changes of items other than shareholders' equity					
Total changes of items during period	—	37	6,376	74	6,488
Balance at end of current period	16,519	12,461	44,703	(1,383)	72,301

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	79	13	93	0	(1,761)	64,144
Changes of items during period						
Dividends of surplus						(3,673)
Profit attributable to owners of parent						10,050
Disposal of treasury shares						(0)
Purchase of treasury shares as share-based payment benefits						111
Net changes of items other than shareholders' equity	70	38	109	(0)	(39)	69
Total changes of items during period	70	38	109	(0)	(39)	6,557
Balance at end of current period	149	52	202	0	(1,801)	70,702

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)	Fiscal year ended Mar. 2024 (from Jan. 1, 2023 to Mar. 31, 2024)
Cash flows from operating activities		
Profit before income taxes	10,290	15,203
Depreciation	1,256	1,931
Impairment loss	1,760	814
Amortization of goodwill	522	1,044
Amortization of long-term prepaid expenses	24	20
Amortization of share issuance cost	36	45
Loss on payment of penalty fee	—	275
Increase (decrease) in allowance for doubtful accounts	1,484	290
Increase (decrease) in provision for directors' share-based benefits	50	41
Increase (decrease) in provision for share-based benefits	52	6
Interest and dividend income	(132)	(157)
Interest expenses	1,895	2,650
Foreign exchange losses (gains)	(287)	(387)
Share of loss (profit) of entities accounted for using equity method	16	219
Loss (gain) on sales of shares of subsidiaries and associates	(205)	—
Loss on compensation for damage	682	—
Loss on retirement of non-current assets	0	1
Decrease (increase) in notes and accounts receivable - trade and contract assets	(259)	77
Decrease (increase) in inventories	(11,104)	(72,095)
Decrease (increase) in prepaid expenses	(16)	(501)
Increase (decrease) in accounts payable	1,408	(1,078)
Decrease/increase in consumption taxes receivable/payable	859	(514)
Increase (decrease) in advances received	(857)	600
Increase (decrease) in deposits received	(840)	(2,088)
Decrease (increase) in other assets	59	(2,585)
Increase (decrease) in other liabilities	39	(114)
Subtotal	6,737	(56,300)
Interest and dividend income received	133	156
Interest expenses paid	(2,328)	(2,971)
Penalty fee paid	—	(275)
Income taxes (paid) refund	(3,040)	(8,818)
Net cash provided by (used in) operating activities	1,501	(68,892)
Cash flows from investing activities		
Payments into time deposits	(4)	(16)
Proceeds from withdrawal of time deposits	2	18
Purchase of investment securities	(513)	(1,227)
Proceeds from withdrawal of investment Securities	294	15
Purchase of shares of subsidiaries and associates	(603)	—
Proceeds from sales of shares of subsidiaries and associates	699	—
Purchase of non-current assets	(2,033)	(4,972)
Proceeds from sales of non-current assets	46	46
Purchase of shares of subsidiaries resulting in change in scope of consolidation	316	—

(Unit: million yen)

	Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)	Fiscal year ended Mar. 2024 (from Jan. 1, 2023 to Mar. 31, 2024)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(27,462)
Payments of loans receivable	(117)	(64)
Collection of loans receivable	1	176
Repayments of guarantee deposits received	(769)	(198)
Proceeds from guarantee deposits received	1,060	1,082
Repayments of divestments	—	(8)
Proceeds from divestments	1	—
Net cash provided by (used in) investing activities	(1,620)	(32,611)
Cash flows from financing activities		
Increase in short-term loans payable	11,929	113,688
Decrease in short-term loans payable	(2,956)	(74,291)
Proceeds from long-term loans payable	110,273	138,310
Repayments of long-term loans payable	(113,215)	(60,022)
Repayments of lease obligations	(0)	(0)
Proceeds from payments of non-controlling interests	—	490
Proceeds from disposal of treasury shares	76	103
Purchase of treasury shares	(293)	(0)
Cash dividends paid	(3,668)	(3,672)
Net cash provided by (used in) financing activities	2,144	114,585
Translation differences on cash and cash equivalents	19	27
Net increase (decrease) in cash and cash equivalents	2,045	13,107
Cash and cash equivalents at beginning of period	33,559	35,604
Cash and cash equivalents at end of period	35,604	48,712

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Changes in Accounting Policies)

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 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, etc. for owned properties.

(Board Benefit Trust for Executives)

(1) Overview of the Transaction

- 1) ES-CON JAPAN passed a resolution to introduce the performance-based stock reward system (the "System"; the trust established based on the trust agreement concluded with Resona Bank, Limited for the System is referred to as "board benefit trust for executives") at the Annual General Meeting of Shareholders held on March 20, 2015, with an aim to further clarify the relationship between remuneration for ES-CON JAPAN's directors (excluding directors who are Audit and Supervisory Committee Members, external directors and nonexecutive directors) and (authorized) executive managing officers (the "Directors, etc."; hereinafter referred to as the same 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 Annual General Meetings of Shareholders held on March 26, 2020 and March 26, 2021 and at the Extraordinary General Meeting of Shareholders held on November 29, 2023.

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 March 2024 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 Annual 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 Annual 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 ended December 2022, and each subsequent period of three fiscal years): 330 million yen
- Resolution passed at the Annual 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 ended December 2021 to the fiscal year ended December 2023, and each subsequent period of three fiscal years): 330 million yen

- Resolution passed at the Extraordinary General Meeting of Shareholders held on November 29, 2023
Upper limit of funds for acquisition of shares (for the three fiscal years from the fiscal year ended December 2021 to the fiscal year ending March 2024, 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 is 347 million yen and 851,000 shares for the fiscal year ended December 2022, and 347 million yen and 851,000 shares for the fiscal year ended March 2024.

(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 benefits-type ESOP trust”) at the Board of Directors’ meeting 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. Furthermore, ES-CON JAPAN passed a resolution for continuation and partial revision of the share-based payment benefits-type ESOP trust for employees at the Board of Directors’ meeting held on October 25, 2023.

The System after the revision is a system by which ES-CON JAPAN contributes money to a trust for a new period of seven fiscal years from the fiscal year ended December 2022 to the fiscal year ending March 2029 and the period of the seven fiscal years after the elapse of the period, 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 is 347 million yen and 573,400 shares for the fiscal year ended December 2022, and 339 million yen and 542,000 shares for the fiscal year ended March 2024.

(Segment Information, Etc.)

[Segment Information]

1. Overview of the Reporting Segments

The reporting segments of the ES-CON JAPAN Group are, among the units constituting the ES-CON JAPAN Group, segments that have available separate financial information and are subject to periodical review for determining allocation of management resources and evaluation of performance by the board of directors and other meetings.

The ES-CON JAPAN Group has consolidated independent projects that have similar products, services, etc. and formed three reporting segments of “real estate sales business,” “real estate leasing business” and “real estate planning agency and consulting business.”

The following are the main descriptions of each reporting segment.

Real estate sales business:	Development/sale of condominiums, commercial facilities, etc., sale of land and such
Real estate leasing business:	Leasing of real estate and such
Real estate planning agency and consulting business:	Subcontracting of real estate-related businesses, brokerage, sales agency and such

2. Calculation Method of Net Sales, Income or Loss, Assets and Other Item Amounts by Reporting Segment
The method of accounting treatments of the reported business segments is the same as that described in “Important Matters Serving as the Base for Preparation of Consolidated Financial Statements.”
3. Information on Net Sales and Income or Loss Amounts by Reporting Segment and Information on Breakdown of Revenue
Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on 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	86,531	1,156	1,074	88,763	—	88,763
Other revenue (Note 4)	—	10,667	—	10,667	—	10,667
Net sales to external customers	86,531	11,824	1,074	99,431	—	99,431
Intersegment net sales or transfers	—	—	—	—	—	—
Total	86,531	11,824	1,074	99,431	—	99,431
Segment income	17,006	4,716	228	21,951	(6,459)	15,492
Segment assets	152,412	67,721	3,966	224,100	39,629	263,729
Other items						
Depreciation (Note 3)	—	1,140	30	1,171	110	1,281
Amortization of goodwill	97	425	—	522	—	522
Amount of investment in entities accounted for using equity method	603	—	688	1,292	—	1,292
Increase in property, plant and equipment and intangible assets (Note 3)	77	1,929	1	2,009	36	2,045

(Note 1) Reconciliations are as follows

- (1) The reconciliation of segment income of -6,459 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.
- (2) The reconciliation of segment assets of 39,629 million yen is mainly surplus operating funds (cash and deposits), administrative assets, etc. not attributable to reporting segments.
- (3) The reconciliation of depreciation of 110 million yen is depreciation on corporate assets not attributable to reporting segments.
- (4) The reconciliation of increase in property, plant and equipment and intangible assets of 36 million yen is increase in corporate assets not attributable to reporting segments

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

(Note 3) Increase in depreciation, property, plant and equipment and intangible assets includes long-term prepaid expenses and the amortization amount of such expenses.

(Note 4) “Other revenue” is rental income, etc. based on “Accounting Standard for Lease Transactions.”

Fiscal year ended Mar. 2024 (from Jan. 1, 2023 to Mar. 31, 2024)

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on 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	99,606	1,573	929	102,109	—	102,109
Other revenue (Note 4)	—	16,751	—	16,751	—	16,751
Net sales to external customers	99,606	18,325	929	118,861	—	118,861
Intersegment net sales or transfers	—	—	—	—	—	—
Total	99,606	18,325	929	118,861	—	118,861
Segment income	20,660	7,841	419	28,920	(9,846)	19,074
Segment assets	243,010	100,668	2,612	346,291	53,405	400,526
Other items						
Depreciation (Note 3)	—	1,795	22	1,817	133	1,951
Amortization of goodwill	121	923	—	1,044	—	1,044
Amount of investment in entities accounted for using equity method	784	—	478	1,263	—	1,263
Increase in property, plant and equipment and intangible assets (Note 3)	—	34,412	—	34,412	102	34,515

(Note 1) Reconciliations are as follows:

- (1) The reconciliation of segment income of -9,846 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.
- (2) The reconciliation of segment assets of 53,405 million yen is mainly surplus operating funds (cash and deposits), administrative assets, etc. not attributable to reporting segments.
- (3) The reconciliation of depreciation of 133 million yen is depreciation on corporate assets not attributable to reporting segments.
- (4) The reconciliation of increase in property, plant and equipment and intangible assets of 102 million yen is increase in corporate assets not attributable to reporting segments

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

(Note 3) Increase in depreciation, property, plant and equipment and intangible assets includes long-term prepaid expenses and the amortization amount of such expenses.

(Note 4) "Other revenue" is rental income, etc. based on "Accounting Standard for Lease Transactions."

5. Other

(1) Status of Contracts and Sales

The performance of contracts in the real estate sales business for the fiscal year under review is as follows:

Category	Fiscal year ended Mar. 2024 (from Jan. 1, 2023 to Mar. 31, 2024)			
	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.	1,358	73,275	885	48,855
Other	—	18,346	—	7,508
Total	1,358	91,622	885	56,364

The main performance of sales by segment for the last two fiscal years is as follows:

Name of segment	Fiscal year ended Dec. 2022 (from Jan. 1, 2022 to Dec. 31, 2022)			Fiscal year ended Mar. 2024 (from Jan. 1, 2023 to Mar. 31, 2024)		
	Property name	Number of units (units)	Amount (million yen)	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	1,185	58,532	Condominiums	1,216	69,290
	Koga Genboen Land Readjustment Project 6	—	5,479	Logistics facilities in Hashima-shi, Gifu Prefecture	—	8,380
	LIONS SQUARE KAWAGUCHI	—	4,000	LOGITRES Tojo II	—	6,600
	Solprasa Sakai	—	3,300	2-chome Haramachida, Machida-shi	—	4,059
	Kuzuhahanazono	—	3,275	TOPAZ Shin-Okachimachi	—	2,500
	Chiba Research Park	—	3,001	5-chome Fujishirodai, Suita-shi (commercial)	—	1,680
	4-chome Sakae, Naka-ku, Nagoya-shi	—	1,794	Fukaeminami, Higashinari-ku, Osaka-shi	—	1,411
	5-chome Fujishirodai, Suita-shi (completed residence land)	—	1,439	Land with leasehold interest in Minami Matsubara II, Takatsuki City	—	400
	Selection Aobadai	—	800	5-chome Fujishirodai, Suita-shi (land for a healthcare facility for the elderly)	—	308
	Nishi-Kunitachi	—	373	Chikara-machi, Higashi-ku, Nagoya-shi	—	95
	Tsuruma station front	—	323	Other	—	4,880
	Shijo Omiya station front	—	296			
	Nishi-Tokorozawa	—	268			
	Other	—	3,650			
	Subtotal	1,185	86,531	Subtotal	1,216	99,606
Real estate leasing business			11,824			18,325
Real estate planning agency and consulting business			1,074			929
	Total		99,431	Total		118,861

(Note) There are no transactions between segments.