



Summary of Accounts for First Four Quarters of Fiscal Year Ending March 2024 (Japanese GAAP) (Consolidated)

January 30, 2024

Name of listed company: ES-CON JAPAN Ltd.	Listing exchange: Tokyo Stock Exchange
Code: 8892	URL: https://www.es-conjapan.co.jp/english/
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Scheduled date for submission of periodic securities report:	January 30, 2024
Scheduled date for start of dividend payment:	-
Supplementary explanatory materials created for accounts? Yes/No: No	
Accounts briefing meeting held? Yes/No: No	

(Amounts are rounded down to the nearest million yen)

1. Consolidated results for first four quarters of fiscal year ending March 2024 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First four quarters of fiscal year ending March 2024	103,246	—	16,842	—	15,167	—	9,831	—
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 ending March 2024: 9,858 million yen [-%]	Fiscal year ended Dec. 2022: 5,399 million yen [-9.6%]
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	Basic earnings per share	Diluted earnings per share
	yen	yen
First four quarters of fiscal year ending March 2024	103.16	102.96
Fiscal year ended Dec. 2022	76.04	75.89

(Note) 1. Partial amendment to the Articles of Incorporation for the purpose of changing the fiscal year-end (the end of the fiscal year) from December 31 to March 31 has been made on November 29, 2023, and the fiscal year under review, which is the transitional period for the change in fiscal year-end, will be an irregular 15-month accounting period from January 1, 2023, to March 31, 2024. Therefore, increase (decrease) compared with the same period of the previous year is not presented for the first four quarters of the fiscal year ending March 2024. The adjusted rate of increase (decrease) comparing the net sales for the same period of the previous year (January 1, 2022 to December 31, 2022) corresponding to the first four quarters of the fiscal year ending March 2024 with the net sales for the first four quarters of the fiscal year under review is 3.8%.

2. Figures of the full fiscal year are indicated for the fiscal year ended December 2022.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First four quarters of fiscal year ending March 2024	370,270	70,469	19.5	756.50
Fiscal year ended Dec. 2022	263,729	64,144	25.0	691.87

Reference: Equity

First four quarters of fiscal year ending March 2024: 72,128 million yen	Fiscal year ended Dec. 2022: 65,906 million yen
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2. Dividends

	Annual dividend					
	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
Fiscal year ended Dec. 2022	—	0.00	—	—	38.00	38.00
Fiscal year ending Mar. 2024	—	0.00	—	—		
Fiscal year ending Mar. 2024 (Forecast)	—				48.00	48.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for fiscal year ending March 2024 (from January 1, 2023 to March 31, 2024)

(% 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
Full fiscal year	120,000	—	18,000	—	15,500	—	10,000	—	104.93

(Note) 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 ending March 2024 will be 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 ending March 2024.

*Explanatory notes

(1) Changes in significant subsidiaries during the first four quarters: None
 Newly included: — (Company name)
 Excluded: — (Company name)

(2) Application of accounting treatments specific to preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, etc.: None

2) Changes in accounting policies other than 1): None

3) Changes in accounting estimates: None

4) Restatement: None

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

1) Number of shares issued and outstanding (including treasury shares) at end of fiscal year	First four quarters of fiscal year ending Mar. 2024	98,580,887 shares	Fiscal year ended Dec. 2022	98,580,887 shares
2) Number of treasury shares at end of period	First four quarters of fiscal year ending Mar. 2024	3,236,450 shares	Fiscal year ended Dec. 2022	3,322,800 shares
3) Average number of shares during period (cumulative)	First four quarters of fiscal year ending Mar. 2024	95,302,107 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 (first four quarters of fiscal year ending 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 (first four quarters of the fiscal year ending March 2024: 1,399,629 shares).

* This quarterly summary of accounts is not subject to quarterly review of certified public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by ES-CON JAPAN. Accordingly, actual business performance and other results may differ materially due to various reasons. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please see "Attachment; 1. Qualitative Information on Quarterly Results; (4) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information" on page 15.

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1. Qualitative Information on Quarterly Results

(1) Business Risks

There are no business risks that newly arose in the first four quarters of the fiscal year ending December 2023.

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

(2) Explanation of Operating Results

Due to the change in the fiscal year-end, ES-CON JAPAN Group's accounting period for the fiscal year under review has become an irregular 15-month accounting period. Therefore, comparison with the same quarter of the previous year has not been performed.

In the first four quarters of the fiscal year under review (fiscal year ending December 2023), the Japanese economy continued to see moderate improvement in business sentiment 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, looking overseas, the downturn in overseas economies is causing a risk that pushes down the Japanese economy, such as the impact of global monetary tightening and concerns over the outlook of the Chinese economy. Furthermore, it is necessary to pay close attention to the impacts of rising prices, the situation in the Middle East and Ukraine, fluctuations in the financial and capital markets, etc., and the outlook remains unclear.

In the real estate industry in which the ES-CON JAPAN Group operates, causes for concern are increasing, such as rising prices of construction materials, the shortage of personnel, and also the impact of revising monetary policy on housing loan interest rates.

Amid such conditions, we have entered the final year of the fourth medium-term management plan "IDEAL to REAL 2023" formulated in February 2021, and have steadily accumulated results with the theme of "Transformation and Rapid Progress."

1) Progress of and Revised Plan for Fourth Medium-term Management Plan "IDEAL to REAL 2023"

With the capital increase through third-party allotment with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power") as the allottee conducted in 2021, our creditworthiness was significantly enhanced. ES-CON JAPAN made Picasso Co., Ltd. and its seven group companies (the "Picasso Group") its subsidiaries and secured stable rental income, resulting in steady progress in our "Transformation," a basic policy of our medium-term management plan.

The fiscal year under review, the final fiscal year of the medium-term management plan, is the final stage of the transition from "Transformation" to "Rapid Progress." We are striving to achieve our plan, which calls for record-high performance, and develop synergies within the Chubu Electric Power Group. The joint project with the Chubu Electric Power Group described below is also building a record of accomplishment. Furthermore, the acquisition of Shijo Omiya Building Co., Ltd. (hereinafter "Shijo Omiya Building"), which engages in businesses such as real estate leasing, announced in February 2023 was completed on July 31, 2023, and is expected to contribute to the further enhancement of stock earnings.

Meanwhile, we resolved at the extraordinary general meeting of shareholders held on November 29, 2023, to change the end of its fiscal year to March, which is the same as parent company Chubu Electric Power, to strengthen coordination and further produce synergy across the entire Chubu Electric Power Group. The fiscal year under review is set for the 15 months from January 1, 2023 to March 31, 2024, as a transition period for the change in the accounting period. Due to this, we have revised the period of the current fourth medium-term management plan "IDEAL to REAL 2023," but the basic policies remain unchanged. ES-CON JAPAN plans to increase year-end dividends (record date: March 31, 2024) by 10 yen per share from 38 yen per share to 48 yen per share.

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

(a) Basic Management Strategy Policies

- Establish business foundations able to withstand unexpected changes in economic conditions
Establish a solid business and financial standing that can maintain fund-raising ability under any economic environment.

- Simultaneously change the revenue structure and expand business domains
Transform the revenue structure from one based on flows to one based on stock by strengthening the real estate leasing business while simultaneously realizing business diversification and expanding business territories

(b) Basic Policy: Transformation and Rapid Progress

Transformation

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

Rapid Progress

- Demonstrating synergies within the Chubu Electric Power Group
- Achieving net sales of 120 billion yen and operating income of 18 billion yen (in the final fiscal year of the revised medium-term management plan)

(c) Management Strategies

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

(d) Revised Performance Plan

(Unit: million yen)

Performance Plan	Fiscal year ended Dec. 2021 (27th period)	Fiscal year ended Dec. 2022 (28th period)	Fiscal year ending Mar. 2024 (29th period)			
	Actual	Actual	Initial plan (12 months) (A)	Revised plan (15 months) (B)	B-A Change	B-A increase/ decrease (%)
Net sales	79,017	99,431	110,000	120,000	10,000	9.1
Real estate sales business	70,334	86,531	94,800	100,000	5,200	5.5
Condominium sales	45,050	58,532	61,900	69,000	7,100	11.5
Condominium units sold (units)	1,020	1,185	1,164	1,268	104	8.9
Other sales	25,283	27,999	32,900	31,000	(1,900)	(5.8)
Real estate leasing business	8,090	11,824	14,200	19,000	4,800	33.8
Real estate planning agency and consulting business	592	1,074	1,000	1,000	—	—
Operating income	10,381	15,492	16,200	18,000	1,800	11.1
Ordinary income	9,099	14,012	14,200	15,500	1,300	9.2
Profit attributable to owners of parent	5,961	7,250	9,400	10,000	600	6.4

(e) Revised Management Targets

Management Targets	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ending Mar. 2024		
	Actual	Actual	Initial plan (12 months) (1)	Revised plan (15 months) (2)	(2)-(1) Change
Share of profits from leasing ^{*1}	21.2%	21.5%	30.0%	28.0%	-2 points
Return on equity (ROE)	11.8%	11.3%	13.0%	15.0%	2 points
Return on invested capital (ROIC)	3.2%	4.6%	4.0%	4.0%	-
Equity ratio	24.8%	25.0%	21.0%	20.0%	-1 point
Share of long-term earnings from real estate ^{*2}	20.6%	19.5%	23.0%	21.0%	-2 points
Net assets	62.6 billion yen	64.1 billion yen	72.0 billion yen	71.0 billion yen	-1.0 billion yen

(Note) 1. Share of profits for leasing: Leasing segment profits / Total segment profits (excluding adjustments)

2. Share of long-term earnings from real estate: Real estate generating leasing revenues recorded as non-current assets / Total assets

(f) Revised Investment Plan

(Unit: 100 million yen)

Investment Plan	Fiscal year ended Dec. 2021	Fiscal year ended Dec. 2022	Fiscal year ending Mar. 2024		Three-year cumulative total (12 months) (1)	Three-year cumulative total (15 months) (2)	(2)-(1) Change
	Actual	Actual	Initial plan (12 months)	Revised plan (15 months)			
	Gross investment	959	369	880	972	2,209	2,300
Investment in revenue-generating real estate	767	108	657	665	1,533	1,540	7
Investment in development of revenue-generating real estate	56	36	100	128	193	220	27
Investment in medium-term revenue-generating real estate	337	56	337	292	731	685	(46)
Investment in long-term revenue-generating real estate	373	15	220	247	608	635	27
Investment in other development	191	261	223	308	675	760	85
Amount recovered	48	65	187	167	300	280	(20)
Net investment amount	911	304	693	805	1,908	2,020	112

2) Revision of Management Philosophy System

ES-CON JAPAN has positioned the management policy of “IDEAL to REAL: Bringing ideals into reality to create a new future” as the corporate message since February 2015 and proactively develops businesses with the intention of continuing to grow through the provision of true value to customers and society based on the management philosophy system consisting of the management philosophy, management policy, vision, mission and concept. On the other hand, as for the environment surrounding ES-CON JAPAN, uncertainties such as the unstable world situation and ongoing global inflation and monetary tightening attributable to said instability still remain as of the most recent period. In addition, as a long-term trend, we have entered an era of transition where behavioral patterns and lifestyles are changing due to such factors as the rapid progress in digitalization, penetration of environmental issues and SDGs, and decline in domestic population and significant changes affecting the basis of corporate activities. Under such circumstances, in order to continue growing sustainably over the long term in any environment, we once again reviewed the significance of ES-CON JAPAN Group’s existence in society and 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.

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

ES-CON JAPAN is currently engaged 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 November 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 (hereinafter the “Consortium”), entered into a basic planning agreement for the development project at the former site of Nagoya Horse Racing Track. In addition, the consortium submitted a plan to utilize wood produced in Aichi Prefecture for “Ideas for Projects/Plans for the Realization of Carbon Neutrality” solicited by Aichi Prefecture and entered into an “Agreement on the Promotion of the Utilization of Wood in Public Buildings” with Aichi Prefecture, the first of its kind in the prefecture, in September 2022.

Furthermore, we established TSUNAGU Community Farm LLC with Chubu Electric Power and Spread Co., Ltd. (hereinafter “Spread”), and 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. By combining Chubu Electric Power’s know-how in energy management, ES-CON JAPAN’s real estate development capabilities, and Spread’s cultivation technology, we are working on the efficient and stable production of “safe and secure” lettuce with the aim of launching production 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.”

4) 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. The building is scheduled for completion in spring 2024, with tenants taking occupancy in June 2024. In November 2023, we acquired a project site for the purpose of developing a luxury hotel on the land facing the outfield seats of the new stadium across an aisle. 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.

Beyond Kitahiroshima City, we sold out “Le JADE Sapporo Motomachi (Higashi Ward, Sapporo City; 39 units in total)” and “Le JADE Sapporo Naebo (Higashi Ward, Sapporo City; 42 units in total; scheduled for completion in February 2024),” and have also been making steady progress with projects in Hokkaido since last year, such as the acquisitions 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.

5) 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 considers and develops urban development utilizing entertainment including sports (real estate development and regional development) and 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.

6) 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, in November 2022, we commenced unit sales for MID TOWER IWAKI, the tallest barrier-free seismic isolation structure tower condominium in the city.

With regard to a development project in the vicinity of Shin-Omura Station on the Nishi-Kyushu Shinkansen line in Nagasaki Prefecture, we concluded a basic agreement with Omura City together with Daiwa House Industry Co., Ltd. and Izumi Co., Ltd. as a member of a business group composed of the three companies in March 2022 and acquired the project site in March 2023. 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.

Furthermore, 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). The development began as a joint project with MIRARTH Holdings, Inc. In the surrounding area, development of industrial facilities, such as condominiums, detached houses, and business offices, is planned, with future development anticipated.

7) 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.

In addition, 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.

Furthermore, as a company creating “lifelong items” in the form of housing, we formulated the IDEAL COMPASS quality management guideline and provide the Escon Premium After Support long-term after-sales service supporting the lifestyles of people living in condominiums. We will continue to provide housing that makes our customers feel safer, more secure and more comfortable.

8) Implementation of Strategic M&As

As announced in February 2023, following the Picasso Group in October 2021, ES-CON JAPAN completed the conversion of 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.

9) Taking on the Challenges of New Business Domains

We are promoting efforts to diversify business content with the next generation in view by stating “growing new businesses into core businesses” and “taking on the challenges of new business domains” in the fourth medium-term management plan.

We completed the construction of our first self-developed office building in the Tokyo metropolitan area, ESCON Kudan Kita Building, in November 2022. It 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 January 2023, we established the Overseas Business Department in the Strategic Business Division to strengthen overseas business development. In November 2023, we opened a marketing gallery at our Tokyo Head Office in order to launch sales and marketing for ALIA, a luxury condominium project in Honolulu, Hawaii. Furthermore, we will invest in “888 ALIA LLC,” an SPC to be formed as a fund for the project, through a subsidiary. We will continue to focus on overseas business expansion.

We are also proceeding to operate in new business domains and areas such as establishing the Okinawa Branch Opening Preparation Office in July 2023 with future full-scale business development in Okinawa in mind.

Furthermore, 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.

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.

10) 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).

11) 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

In May 2020, ES-CON JAPAN acquired EcoAction 21 Certification, a Japanese environmental management system (EMS) established by the Ministry of the Environment. Furthermore, “tonarie Fujimino,” a commercial facility owned by ES-CON JAPAN, obtained “Rank S,” the highest rank of the Certification for CASBEE^(*) 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

In August 2022, ES-CON JAPAN obtained ZEH⁽²⁾-M Oriented certification for its condominium “Le JADE Honkawagoe” (Kawagoe City, Saitama Prefecture; 102 units in total), as the property features excellent heat insulation performance and helps reduce annual primary energy consumption. This is our third ZEH condominium following “Le JADE Okurayama” (Kohoku Ward, Yokohama City; 25 units in total), which won the Good Design Award for the fiscal year 2021, and Le JADE Yao Sakuragaoka (Yao City, Osaka Prefecture; 72 units in total), which was contracted to sell out early in June 2022.

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.

Moreover, in November 2020, ES-CON Home Co., Ltd. and ES-CON Craft Co., Ltd., consolidated subsidiaries of ES-CON JAPAN which sell detached houses mainly in Saitama Prefecture, were registered for ZEH Builder Certification.

*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 are collaborating with Chubu Electric Power and Spread to develop Techno Farm Fukuroi, which will be the world’s largest vertical farm utilizing fully artificial light and capable of producing 10 tons of lettuce per day, and plan to launch production 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.

As mentioned in (2), 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 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 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 2023”

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. As a result, in March 2023, ES-CON JAPAN was certified as an “Excellent Health Management Corporation 2023” mainly for its efforts to promote and enhance employee health, improve work comfort, and diversity.

- 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, as in last year, in March 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

Since 2020, we have been donating 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.

We have also been providing monetary donations to Osaka University's Graduate School of Medicine since 2019 to support clinical trials for cancer vaccines showing promise for the treatment of cancer. In May 2022, we donated funds for the establishment of an endowed cancer immunology course the school is developing, for the purpose of research of cancer immune therapy.

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.

- 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 under review. 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 base wages effective April 2023.

(c) Governance (G)

- Establishment of Voluntary Committee on Nomination and Remuneration of Directors

In January 2020, 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 January 2023.

- Diversity of the Board of Directors

At the 28th Annual General Meeting of Shareholders held on March 24, 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 established the Compliance Office directly under the President, taking the administrative disposition on ES-CON ASSET MANAGEMENT Ltd. (hereinafter “EAM”), its consolidated subsidiary, with utmost seriousness. The purpose of the Compliance Office is to strengthen legal compliance and internal control systems and to monitor every aspect of transactions with the parties in question, as well as establish a framework for managing any conflicts of interest that arise in order to prevent the recurrence of such incidents.

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.”

12) Current Status of EAM

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 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.

13) 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 Konan HANA-TERRACE (Suminoe Ward, Osaka City; 55 units in total),” and “Le JIAS OHASHI DUX (Minami Ward, Fukuoka City; 90 units in total)”. As for sales progress, among properties completed in this period, at 12 properties, including “Le JADE Hokkaido Ball Park (Kitahiroshima City, Hokkaido; 118 units in total),” all units are delivered, and at 5 properties including “Le JADE Nagai Park Avenue (Sumiyoshi Ward, Osaka City; 52 units in total)” among those scheduled for delivery in this and the subsequent period, 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. At present, “TOPAZ Shin-Okachimachi” and “TOPAZ Esaka” are operating, and “TOPAZ Shin-Okachimachi” received the 2023 Good Design Award. We also have plans to implement new projects in the future.

In addition, we are striving to secure stable rental income from commercial facilities and increase asset value, such as the acquisition of new commercial land with leasehold interest in Kurashiki City, Okayama Prefecture, the opening of the aforementioned community-based shopping center “tonarie Hoshida (Katano City, Osaka)” in March 2023, and plans for the addition of “tonarie Kitahiroshima (Kitahiroshima City, Hokkaido)” 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 103,246 million yen, operating income of 16,842 million yen, ordinary income of 15,167 million yen and profit attributable to owners of parent of 9,831 million yen for the first four quarters of 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, ES-CON JAPAN achieved net sales of 88,279 million yen and segment income of 18,371 million yen.

(ii) Real estate leasing business

In the real estate leasing business, focus was placed on leasing activities and the property management business in view of enhancement of asset value, including increase in rental income of owned revenue-generating real estate, resulting in net sales of 14,126 million yen and segment income of 5,885 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 840 million yen and segment income of 411 million yen.

(3) Explanation of Financial Position

1) Financial position

Assets at the end of the fourth quarter increased by 106,541 million yen compared with the end of the previous fiscal year to 370,270 million yen. This was mainly attributable to cash and deposits, property, plant and equipment and inventories increasing by 1,878 million yen, 23,311 million yen and 69,735 million yen, respectively.

Liabilities increased by 100,216 million yen compared with the end of the previous fiscal year to 299,801 million yen. This was mainly attributable to long-term loans payable and short-term loans payable increasing by 93,793 million yen.

Net assets increased by 6,324 million yen compared with the end of the previous fiscal year to 70,469 million yen. This was mainly attributable to cash dividends paid of 3,673 million yen, while recording profit attributable to owners of parent of 9,831 million yen. As a result, the equity ratio was 19.5% (25.0% at the end of the previous fiscal year).

2) Cash flows

Cash and cash equivalents (“net cash”) at the end of the first four quarters increased by 1,757 million yen compared with the beginning of the fiscal year to 37,361 million yen.

The following outlines the cash flows and the factors of change in cash flows in the first four quarters.

(Cash flows from operating activities)

Net cash used in operating activities was 49,245 million yen. This was mainly attributable to profit before income taxes of 14,891 million yen, increase in inventories of 54,183 million yen and income taxes paid of 5,974 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 32,213 million yen. This was mainly attributable to purchase of non-current assets of 4,866 million yen, proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of 27,516 million yen and proceeds from guarantee deposits received of 839 million yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 83,188 million yen. This was mainly attributable to expenditure from and repayments of long-term loans payable and short-term loans payable amounting to net proceeds of 86,727 million yen and payment of cash dividends of 3,671 million yen.

(4) Explanation of Consolidated Earnings Forecast and Other Forward-Looking Information

ES-CON JAPAN amended its articles of incorporation to change the fiscal year from “from January 1 to December 31 every year” to “from April 1 to March 31 every year,” and the transition period of the fiscal year ending March 31, 2024, is a 15-month accounting period from January 1, 2023, to March 31, 2024. Based on the 3-month extension of the accounting period and the most recent performance trends, etc., we have decided to revise the full-year earnings forecast for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023 * Prior to change of accounting period) announced on January 27, 2023. See “(2) Explanation of Operating Results” for details.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2022 (as of Dec. 31, 2022)	Fourth quarter of fiscal year ending Mar. 2024 (as of Dec. 31, 2023)
Assets		
Current assets		
Cash and deposits	35,721	37,600
Notes and accounts receivable - trade and contract assets	1,096	965
Real estate for sale	4,804	4,924
Real estate for sale in process	138,968	208,585
Other	10,766	13,128
Allowance for doubtful accounts	(1)	(1)
Total current assets	191,357	265,202
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,734	27,801
Accumulated depreciation	(2,353)	(3,784)
Buildings and structures, net	20,380	24,017
Land	31,535	51,311
Other	517	455
Accumulated depreciation	(293)	(333)
Other, net	223	122
Total property, plant and equipment	52,139	75,451
Intangible assets		
Goodwill	7,696	16,409
Other	77	73
Total intangible assets	7,774	16,483
Investments and other assets		
Other	13,935	14,645
Allowance for doubtful accounts	(1,521)	(1,521)
Total investments and other assets	12,413	13,124
Total non-current assets	72,327	105,059
Deferred assets		
Share issuance cost	45	9
Total deferred assets	45	9
Total assets	263,729	370,270

(Unit: million yen)

	Fiscal year ended Dec. 2022 (as of Dec. 31, 2022)	Fourth quarter of fiscal year ending Mar. 2024 (as of Dec. 31, 2023)
Liabilities		
Current liabilities		
Short-term loans payable	10,061	39,460
Current portion of long-term loans payable	26,193	32,592
Income taxes payable	3,258	3,108
Other	16,177	12,971
Total current liabilities	55,690	88,133
Non-current liabilities		
Long-term loans payable	132,810	190,804
Provision for directors' share-based benefits	186	211
Provision for share-based benefits	109	111
Asset retirement obligations	271	276
Other	10,516	20,264
Total non-current liabilities	143,894	211,668
Total liabilities	199,585	299,801
Net assets		
Shareholders' equity		
Capital stock	16,519	16,519
Capital surplus	12,424	12,436
Retained earnings	38,326	44,484
Treasury shares	(1,457)	(1,427)
Total shareholders' equity	65,813	72,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	79	58
Foreign currency translation adjustment	13	56
Total accumulated other comprehensive income	93	115
Subscription rights to shares	0	0
Non-controlling interests	(1,761)	(1,659)
Total net assets	64,144	70,469
Total liabilities and net assets	263,729	370,270

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Income)
(First four quarters of fiscal year ending March 2024)

(Unit: million yen)

	First four quarters of fiscal year ending March 2024 (from Jan. 1, 2023 to Dec. 31, 2023)
Net sales	103,246
Cost of sales	73,292
Gross profit	29,953
Selling, general and administrative expenses	13,110
Operating income	16,842
Non-operating income	
Interest income	4
Dividend income	153
Penalty income	75
Foreign exchange gains	197
Other	22
Total non-operating income	452
Non-operating expenses	
Interest expenses	1,999
Share of loss of entities accounted for using equity method	87
Amortization of share issuance cost	36
Other	4
Total non-operating expenses	2,128
Ordinary income	15,167
Extraordinary income	
Gain on reversal of subscription rights to shares	0
Total extraordinary income	0
Extraordinary losses	
Loss on retirement of non-current assets	0
Loss on payment of penalty fee	275
Total extraordinary losses	275
Profit before income taxes	14,891
Income taxes - current	5,271
Income taxes - deferred	(216)
Total income taxes	5,055
Profit	9,835
Net income attributable to noncontrolling interests	4
Profit attributable to owners of parent	9,831

(Quarterly Consolidated Statement of Comprehensive Income)
(First four quarters of fiscal year ending March 2024)

(Unit: million yen)

	First four quarters of fiscal year ending March 2024 (from Jan. 1, 2023 to Dec. 31, 2023)
Profit	9,835
Other comprehensive income	
Valuation difference on available-for-sale securities	(20)
Foreign currency translation adjustment	(5)
Share of other comprehensive income of entities accounted for using equity method	48
Total other comprehensive income	22
Comprehensive income	9,858
Comprehensive income attributable to:	
Comprehensive income attributable to owners of parent	9,853
Comprehensive income attributable to non-controlling interests	4

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	First four quarters of fiscal year ending March 2024 (from Jan. 1, 2023 to Dec. 31, 2023)
Cash flows from operating activities	
Profit before income taxes	14,891
Depreciation	1,498
Amortization of goodwill	797
Amortization of long-term prepaid expenses	16
Amortization of share issuance cost	36
Loss on payment of penalty fee	275
Increase (decrease) in allowance for doubtful accounts	(0)
Increase (decrease) in provision for directors' share-based benefits	25
Increase (decrease) in provision for share-based benefits	1
Interest and dividend income	(157)
Interest expenses	1,999
Foreign exchange losses (gains)	(197)
Share of loss (profit) of entities accounted for using equity method	87
Loss on retirement of non-current assets	0
Decrease (increase) in notes and accounts receivable - trade and contract assets	131
Decrease (increase) in inventories	(54,183)
Decrease (increase) in prepaid expenses	(65)
Increase (decrease) in accounts payable - other	(2,523)
Decrease/increase in consumption taxes receivable/payable	(521)
Increase (decrease) in advances received	(486)
Increase (decrease) in deposits received	(802)
Decrease (increase) in other assets	(1,813)
Increase (decrease) in other liabilities	43
Subtotal	<u>(40,947)</u>
Interest and dividend income received	155
Interest expenses paid	(2,204)
Penalty fee paid	(275)
Income taxes (paid) refund	(5,974)
Net cash provided by (used in) operating activities	<u>(49,245)</u>
Cash flows from investing activities	
Payments into time deposits	(16)
Proceeds from withdrawal of time deposits	2
Purchase of investment securities	(648)
Proceeds from withdrawal of investment Securities	15
Purchase of non-current assets	(4,866)
Proceeds from sales of non-current assets	34
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(27,516)
Payments of loans receivable	(64)
Collection of loans receivable	175
Repayments of guarantee deposits received	(169)
Proceeds from guarantee deposits received	839
Proceeds from divestments	1
Net cash provided by (used in) investing activities	<u>(32,213)</u>
Cash flows from financing activities	
Increase in short-term loans payable	90,248
Decrease in short-term loans payable	(62,981)
Proceeds from long-term loans payable	110,311
Repayments of long-term loans payable	(50,850)
Repayments of lease obligations	(0)
Proceeds from share issuance to non-controlling shareholders	98
Purchase of treasury shares	(0)
Proceeds from disposal of treasury shares	34
Cash dividends paid	(3,671)
Net cash provided by (used in) financing activities	<u>83,188</u>
Translation differences on cash and cash equivalents	28
Net increase (decrease) in cash and cash equivalents	<u>1,757</u>
Cash and cash equivalents at beginning of period	35,604
Cash and cash equivalents at end of period	<u>37,361</u>

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Additional Information)

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

There are no significant changes in the assumptions concerning the impact of the COVID-19 pandemic stated 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 fourth quarter of the fiscal year ending 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 fourth quarter of the fiscal year ending March 2024.

(Segment Information, Etc.)

[Segment Information]

First four quarters of fiscal year ending March 2024 2023 (from January 1, 2023 to December 31, 2023)

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

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Revenue from contracts with customers	88,279	1,227	840	90,347	—	90,347
Other revenue (Note 3)	—	12,898	—	12,898	—	12,898
Net sales to external customers	88,279	14,126	840	103,246	—	103,246
Intersegment net sales or transfers	—	—	—	—	—	—
Total	88,279	14,126	840	103,246	—	103,246
Segment income	18,371	5,885	411	24,667	(7,824)	16,842

(Note) 1. The reconciliation of segment income of -7,824 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

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

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

2. Information on Impairment Loss on Non-Current Assets or Goodwill, Etc. by Reporting Segment
(Significant changes in the amount of goodwill)

In the real estate leasing business, goodwill was recorded due to the acquisition of all shares of Shijo Omiya Building Co. Ltd., thereby including it in the scope of consolidation. The increase in goodwill due to this event was 9,510 million yen in the first four quarters of the fiscal year ending March 2024.

(Significant Subsequent Events)

Not applicable.

3. Other

Status of Contracts and Sales

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

Category	Fourth quarter of fiscal year ending Mar. 2024 (from Oct. 1, 2023 to Dec. 31, 2023)			
	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.	342	18,175	786	41,884
Other	—	5,017	—	4,201
Total	342	23,193	786	46,086

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

Name of segment	First four quarters of fiscal year ending Mar. 2024 (from Jan. 1, 2023 to Dec. 31, 2023)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	1,098	63,406
	Logistics facilities in Hashima-shi, Gifu Prefecture	—	8,380
	ROGITRES Tojo II	—	6,600
	2-chome Haramachida, Machida-shi	—	4,059
	5-chome Fujishirodai, Suita-shi (commercial)	—	1,680
	Land with leasehold interest in Minami Matsubara II, Takatsuki City	—	400
	5-chome Fujishirodai, Suita-shi (land for a healthcare facility for the elderly)	—	308
	Other	—	3,444
	Subtotal	1,098	88,279
Real estate leasing business			14,126
Real estate planning agency and consulting business			840
	Total		103,246

(Note) There are no transactions between segments.