



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

October 26, 2021

Name of listed company: ES-CON JAPAN Ltd.	Listing exchange: Tokyo Stock Exchange
Code: 8892	URL: https://www.es-conjapan.co.jp/english/
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Scheduled date for submission of periodic securities report:	October 26, 2021
Scheduled date for start of dividend payment:	—
Supplementary explanatory materials created for accounts? Yes/No: No	
Accounts briefing meeting held? Yes/No: No	

(Amounts are rounded down to the nearest million yen)

1 Consolidated results for first three quarters of fiscal year ending December 2021 (from January 1, 2021, to September 30, 2021)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
First three quarters of fiscal year ending Dec.2021	43,620	(32.8)	4,849	(57.0)	4,015	(61.7)	2,907	(59.9)
First three quarters of fiscal year ended Dec. 2020	64,927	41.4	11,271	31.3	10,475	35.6	7,243	37.9

Note: Comprehensive income

First three quarters of fiscal year ending Dec. 2021: 2,680 million yen [-62.0%]	First three quarters of fiscal year ended Dec. 2020: 7,047 million yen [30.1%]
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	Basic earnings per share	Diluted earnings per share
	yen	yen
First three quarters of fiscal year ending Dec. 2021	33.80	33.71
First three quarters of fiscal year ended Dec. 2020	105.84	105.73

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Book value per share
	million yen	million yen	%	yen
First three quarters of fiscal year ending Dec. 2021	186,739	59,162	31.9	625.28
Fiscal year ended Dec. 2020	149,423	38,627	25.8	563.07

Reference: Equity

First three quarters of fiscal year ending Dec. 2021: 59,529 million yen	Fiscal year ended Dec. 2020: 38,589 million yen
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2. Dividends

	Annual dividend				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended Dec. 2020	—	0.00	—	38.00	38.00
Fiscal year ending Dec. 2021	—	0.00	—	—	—
Fiscal year ending Dec. 2021 (Forecast)	—	—	—	38.00	38.00

(Note) Revisions from latest dividends forecast: None

3. Consolidated earnings forecast for fiscal year ending December 2021 (from January 1, 2021, to December 31, 2021)
 (% figures for the full fiscal year show the rate of increase (decrease) compared with the previous period)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full fiscal year	80,000	3.5	10,800	(11.5)	9,400	(15.8)	6,200	(19.1)	70.21

(Note) Revisions from latest earnings forecast: None

* Explanatory notes

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

(Changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly included: — companies (Company name) —

Excluded: — companies (Company name) —

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

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

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

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

3) Changes in accounting estimates: None

4) Restatement: None

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

1) Number of shares issued and outstanding (including treasury shares) at end of period	First three quarters of fiscal year ending Dec. 2021	98,580,887 shares	Fiscal year ended Dec. 2020	71,961,887 shares
2) Number of treasury shares at end of period	First three quarters of fiscal year ending Dec. 2021	3,377,100 shares	Fiscal year ended Dec. 2020	3,428,400 shares
3) Average number of shares during period (cumulative total of first three quarters)	First three quarters of fiscal year ending Dec. 2021	86,001,808 shares	First three quarters of fiscal year ended Dec. 2020	68,438,208 shares

Note: The number of treasury shares at end of period includes shares of ES-CON JAPAN held in a share-based payment benefits trust for directors and a share-based payment benefits-type ESOP trust (first three quarters of fiscal year ending December 2021: 851,000 shares in the share-based payment benefits trust for directors and 225,800 shares in the share-based payment benefits-type ESOP trust). In the calculation of the average number of shares during period (cumulative total of first three quarters), the treasury shares to be subtracted in that calculation includes shares of ES-CON JAPAN held in the share-based payment benefits trust for directors and the share-based payment benefits-type ESOP trust (first three quarters of fiscal year ending December 2021: 1,079,482 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 10.

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Attachment

1. Qualitative Information on Quarterly Results

(1) Business Risks

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

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

(2) Explanation of Operating Results

In the first three quarters, despite being impacted by the resurgence of COVID-19, the Japanese economy saw some movement toward recovery, such as the effects of various policies and improvement in overseas economies, along with the steady progress in the vaccination program. The outlook is that recovery of personal consumption, which saw repeated ups and downs, will be clearly seen due to the lifting of the state of emergency, and thus further movement toward economic recovery can be expected. On the other hand, careful attention should be paid to the impact of the status of infection in Japan and abroad, mounting downward risks from the impact through supply chains, and fluctuation of the financial and capital market; and the circumstances allow for no optimism.

In the real estate industry in which the ES-CON JAPAN Group operates, the real estate market showed relatively stable performance with no substantial deterioration as the policies and measures related to tackling COVID-19 and monetary easing measures continued. However, it is necessary to carefully watch the impact of changes in consumer spending on the Japanese economy and overseas economies as well as the real estate market amid gradual resumption of social and economic activities alongside the preventive measures against the spread of COVID-19 taken across the country and the progress of the vaccination program.

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

As a measure to increase capital for proactive business development, we procured funds amounting to 20.4 billion yen by implementing capital increase through third-party allotment with Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power") as the allottee on April 5, 2021, and ES-CON JAPAN became a consolidated subsidiary of Chubu Electric Power. We assessed that becoming a consolidated subsidiary of Chubu Electric Power, which boasts strong corporate credit standing, will allow for diversification of fundraising methods and reduction of fundraising costs by improving our creditworthiness. The move will also enable participation in large-scale urban-development projects through further business partnerships with the Chubu Electric Power Group. This will make it possible for us to further increase our corporate value by stabilizing and expanding our earnings base, enhancing management stability, and so forth.

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

In August 2021, we concluded a share transfer agreement to acquire all shares of Picasso Co., Ltd., which owns numerous outstanding revenue-generating properties, and its seven group companies in order to rapidly move ahead with the strategy of "changing the revenue structure" in the new medium-term management plan.

After becoming a subsidiary of Chubu Electric Power, synergy has been demonstrated not only in increased business collaboration with the Chubu Electric Power Group but also in receiving a certain degree of recognition from external agencies, financial institutions, etc. Specifically, we acquired credit ratings of "A-" (stable) from Rating and Investment Information, Inc. and "A" (stable) from Japan Credit Rating Agency, Ltd. in July 2021, and were newly selected as a constituent of JPX-Nikkei Index 400 for FY2021 (August 31, 2021 to August 30, 2022).

In addition, we concluded a commitment line agreement with The Nishi-Nippon City Bank, Ltd. with a maximum borrowing amount of 10.0 billion yen in September 2021 for the purpose of preparing for capital needs to purchase real estate for business development and conducting more flexible and stable fund procurement.

Concerning the transition to new market segments scheduled for April 4, 2022, at Tokyo Stock Exchange, Inc., we have received the result of the preliminary judgement stating that we meet the continued listing criteria of the Prime Market, and are now moving ahead with the prescribed procedure for the transition.

We will continue to work to enhance corporate value through sustainable growth.

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

1) Overview of Fourth Medium-Term Management Plan

1. Basic Management Strategy Policies

- 1) Establishing business foundations able to withstand unexpected changes in economic conditions
Establishing business and financial standings that would be sound and enable us to maintain our fund-raising abilities under any economic condition
- 2) Simultaneously changing the revenue structure and expanding business domains
Transforming the revenue structure from one based on flows to one based on stock by strengthening the real estate leasing business while at the same time realizing business diversification and expanding business territories

2. Basic Policy: Transformation and Rapid Progress

Transformation

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

Rapid Progress

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

3. Management Strategies

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

4. Performance Plan

(Unit: million yen)

	Fiscal year ended Dec. 2020	Fiscal year ending Dec. 2021		Fiscal year ending Dec. 2022	Fiscal year ending Dec. 2023
	Actual	First three quarters Actual	Full fiscal year Plan	Plan	Plan
Net sales	77,308	43,620	80,000	98,000	110,000
Operating income	12,202	4,849	10,800	14,000	16,000

5. Management Targets

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

(Note 1) Share of profits from leasing:

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

(Note 2) Return on invested capital (ROIC):

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

(Note 3) Share of long-term earnings from real estate:

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

6. Investment Plan

(Unit: million yen)

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

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

Since the conclusion of a capital and business partnership agreement with Chubu Electric Power in August 2018, we have positioned the Chubu area as a core business area comparable to the Tokyo metropolitan area and the Kansai area, and established a Nagoya branch in March 2019. Following the establishment, we have already acquired land for nine new projects in the Chubu area.

Furthermore, as joint projects with Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”), we launched condominium/commercial development projects in Shirakabe, Higashi Ward, Nagoya City; Ichinomiya City, Aichi Prefecture; Kakegawa City, Shizuoka Prefecture; and Suita City, Osaka Prefecture. In particular, “Le JADE Kakegawa Ekimae” (Kakegawa City, Shizuoka Prefecture; 83 units in total) were contracted to sell out in four months after the start of sale, steadily demonstrating synergy.

In June 2021, a consortium of businesses led by Chubu Electric Power of which ES-CON JAPAN is a member was selected as the preferred candidate contractor in bidding organized by Aichi Prefecture and the city of Nagoya. The winning bidder will operate the site of the 20th Asian Games Aichi-Nagoya 2026 Athletes’ Village after the games. In said business, the vision targets a next-generation approach to community development whereby diverse people connect with and help each other to promote happiness and find solutions to various issues facing society. Plans call for ES-CON JAPAN to develop retail complexes as part of this community development project.

Furthermore, in July 2021, we, along with Chubu Electric Power and Spread Co., Ltd. (hereinafter “Spread”), established TSUNAGU Community Farm LLC (hereinafter the “new company”), which will construct and operate vertical farms. The new company plans to start construction of Techno Farm Fukuroi in October 2021 at the project site in Fukuroi City, Shizuoka Prefecture, which will be the world’s largest vertical farm utilizing fully artificial light and capable of producing 10 tons of lettuce per day, with an aim to launch production in January 2024. With the integration of Chubu Electric Power’s capital and knowledge on energy management and ES-CON JAPAN’s development know-how, we intend to make efforts for decarbonization and reduce costs as well as contribute to the production of cheaper vegetables at plants as well as realize efficient and stable production of “safe and clean” lettuce in collaboration with Spread that has a track record in cultivation and logistics.

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

3) Progress of Projects under Hokkaido Ballpark Concept

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

The area surrounding the new ballpark is a large-scale development area for HOKKAIDO BALLPARK F VILLAGE (total development area: approx. 36.7 ha, hereinafter “F VILLAGE”) with construction of a new station also planned. We are participating in urban development of which the centerpiece will be the new stadium, engaging in the development of various real estate on the land of approximately 9,400 m² adjoining the ballpark.

In August 2021, we made public announcement on plans to open our first new condominium project in Hokkaido, Le JADE Hokkaido Ballpark, as part of the F VILLAGE urban development project, on a site that offers proximity to the new stadium and Hokkaido’s rich natural heritage. We will deliver a new way of life (“living in a ballpark”) as a “life developer” who develops the lives of those who live there, thinking of their happiness.

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

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

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

In August 2021, ESCON JAPAN REIT Investment Corporation (hereinafter “EJR”) conducted the second public offering, following the first in February 2020, with ESCON Asset Management Ltd. (hereinafter “EAM”), a consolidated subsidiary, as the company entrusted with asset management, and steadily expanded its asset size from 41.6 billion yen at the time of listing to 69.6 billion yen after the capital increase. As the sponsor of EJR, the ES-CON JAPAN Group transferred the following seven properties and has supported the enhancement of EJR’s income and stable growth.

The details of the transferred assets are as follows, with the total transfer price of 11,947 million yen the total gain from transfer of 2,472 million yen.

Location	Type	Site area (total floor area)	Transfer price (million yen)
(1) Kumamoto-shi, Kumamoto Prefecture (Suroy Mall Nagamine)	Commercial facility (land, building)	28,546.00 m ² (13,130.23 m ²)	4,600
(2) Hatsukaichi-shi, Hiroshima Prefecture (Fuji Grand Natalie)	Commercial facility (land, building)	21,083.66 m ² (28,543.96 m ²)	3,950
(3) Sapporo-shi, Hokkaido	Commercial facility (land)	8,154.00 m ²	1,300
(4) Neyagawa-shi, Osaka Prefecture	Commercial facility (land)	2,743.65 m ²	702
(5) Amagasaki-shi, Hyogo Prefecture	Commercial facility (land)	1,491.47 m ²	565
(6) Kobe-shi, Hyogo Prefecture	Commercial facility (land)	2,634.83 m ²	530
(7) Hikone-shi, Shiga Prefecture	Commercial facility (land)	2,012.30 m ²	300
Total			11,947

5) Initiatives for Formation of Private REIT

In addition to the public REIT business as in EJR, we plan to form and commence operation of a private real estate investment corporation (hereinafter “ESCON JAPAN Private REIT (tentative name)” with EAM also as the company entrusted with asset management. Starting with the rental apartments in Higashiyamato City, Tokyo, and Fujisawa City, Kanagawa Prefecture, in 2020, we have formed private funds operating a total of 10 buildings in the Tokyo metropolitan area of Tokyo, Kanagawa and Saitama prefectures. Furthermore, we are not only currently developing a rental apartment in Yamato City, Kanagawa Prefecture, but also acquired a rental apartment “Sol Plaza Sakai” (Sakai Ward, Sakai City) in September 2021 for the purpose of making them assets to be managed under ESCON JAPAN Private REIT (tentative name).

6) Acquisition of Shares of Eight Companies Including Picasso Co., Ltd. (Making Them Our Subsidiaries)

We plan to acquire all shares of Picasso Co., Ltd. (hereinafter “Picasso”), which is involved in the real estate leasing and other businesses, as well as its seven group companies (hereinafter the “Group companies”), making all these companies our subsidiaries, on October 29, 2021.

Founded in the city of Osaka in 1991, Picasso, alongside the Group companies, is active in real estate leasing chiefly in the Kansai area. It owns numerous outstanding revenue-generating properties, including rental apartments and office buildings.

This acquisition of subsidiaries will rapidly progress the abovementioned basic management strategic policy of “Transforming the focus from flows to stock” in the fourth medium-term management plan by enhancing the leasing business and securing stable revenues, and thus we believe it will contribute dramatically to the sustained growth of ES-CON JAPAN Group.

7) Taking on the Challenges of New Business Domains

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

Furthermore, after investing in the real estate investment fund in Hawaii in March 2019, we have engaged in overseas businesses as well while assessing the impact of the COVID-19 pandemic recently. We plan to invest and participate in Waikiki Galleria Tower project, a commercial complex value-add project in Honolulu, Hawaii, primarily being carried out by BlackSand Capital, LLC, a real estate private equity firm, through our subsidiary ESCON USA III, LLC. In addition, we have concluded a strategic advisory contract regarding this project, and will provide advice and support on the development, design, operation and management of the entire property.

Moreover, in October 2021, we invested in a real estate investment fund “Crow Holdings Realty Partners IX, L.P” (hereinafter “the Fund”) formed by Crow Holdings Capital, a real estate company in Texas, U.S.A., through our subsidiary ESCON USA II, LLC. The Fund’s main policy is to perform diversified and stable investment in numerous projects/properties across the U.S. centering on rental apartments and warehouses (e-commerce) by focusing on the population growth of the region (market growth potential). As such, we believe that this investment will also be beneficial for us to understand the business sentiment and trends in the U.S. real estate market.

We will continue to focus our endeavors on developing new business fields with an eye on the next era as well as our global implementation of a multifaceted real estate business that can contribute to society.

8) Status of ESG Initiatives

We have set “Address social issues through promotion of ESG initiatives” as one of our key management strategies. The “ESG Promotion Group,” which has a director serving as head of the President’s Office appointed as the person in charge and consists of members selected from each department, has led such initiatives. In July 2021, we established the Health & Culture Fostering Team for further promotion of health management.

1. Environment (E)

• EcoAction 21 Certification

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

• Green Building

In July 2020, “tonarie Yamato-Takada” and “tonarie Toga-Mikita,” which are commercial facilities owned by EJ, obtained DBJ Green Building Certification (a certification system created by Development Bank of Japan Inc. (hereinafter “DBJ”) in April 2011 to support real estate properties with environmental and social awareness (“Green Buildings”)) from DBJ. These were followed also by “tonarie Minamisenri” and “tonarie Seiwadai” in February 2021 and commercial facility “Asumigaoka Brand New Mall” in July 2021. Our group as a whole is working to improve the value of the facilities, and the five properties that have acquired the certification are being operated and managed by our subsidiary ES-CON PROPERTY Ltd.

• “Rank S” Certification for CASBEE for Real Estate

In July 2020, “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.

*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.

• ZEH Builder

In November 2020, ES-CON Home Co., Ltd. and ES-CON Craft Co., Ltd., which are consolidated subsidiaries of ES-CON JAPAN, were registered for ZEH⁽²⁾ 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.

- Received Award for Excellence in the Environmental Human Resource Development Corporate Awards
In March 2021, we received the Award for Excellence in the Environmental Human Resource Development Corporate Awards 2020 (recognizing companies leading the way in developing environment-related human resources) hosted by the Ministry of the Environment and the Environmental Consortium for Leadership Development (EcoLeaD). The Awards were created in a fiscal 2014 project by the Ministry of the Environment with an aim to encourage Japanese companies to engage in and train human resources for environmentally friendly business management and increase the number of companies contributing to comprehensive improvement of the environment, economy and society, considering the situation where efforts toward a sustainable society have become essential.
- Construction and Operation of “Techno Farm Fukuroi,” a Vertical Farm Utilizing Fully Artificial Light
As mentioned above, we plan to start construction of Techno Farm Fukuroi, which will be the world’s largest vertical farm utilizing fully artificial light and capable of producing 10 tons of lettuce per day. We will make efforts to realize efficient and stable production of “safe and clean” lettuce in collaboration with Chubu Electric Power and Spread. The three companies will solve issues in food and agricultural fields through the plant factory business as well as contribute 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.

2. Social (S)

- Contributing to Healthcare
We have been providing monetary donations since 2020 to Kyoto University’s “iPS Cell Research Fund” to support activities realizing provision of early and inexpensive treatment using iPS cells for people suffering from diseases and accidents.
We have also been providing monetary donations since 2019 to Osaka University’s Graduate School of Medicine as support for clinical trials of cancer vaccines showing promise for the treatment of cancer.
- Contribution to sports promotion
In April 2021, we invested in Ryukyu Football Club Co., Ltd. (hereinafter “Ryukyu FC”) which operates FC Ryukyu, a professional soccer team. With this investment, we will contribute to the local community through sports promotion by securing a foothold for the creation of business opportunities in Okinawa as well as supporting Ryukyu FC’s regional revitalization activities in Okinawa Prefecture.

3. Governance (G)

- Establishment of Voluntary Committee on Nomination and Remuneration of Directors
In January 2020, we established the “Nomination and Remuneration Advisory Committee” with an aim to strengthen the independence and objectivity of functions as well as the accountability of the board of directors with regard to nomination and remuneration of directors and other matters, and have secured impartiality and transparency concerning election and remunerations of directors.
- Nurturing Successors
We also launched initiatives for a succession plan called the candidate successor system. We appointed a total of eight employed executive officers; seven in January 2021 and one in September 2021.
- Diversity of the Board of Directors
In order to secure diversity of the board of directors, two independent directors were appointed at the 26th Regular General Meeting of Shareholders held on March 26, 2021, and the number of independent directors increased to four. In addition to the traditional certified public accountant, tax accountant and attorney, a director experienced in corporate management and a female independent director who is also a securities analyst have been newly added for a diverse board composition.
In addition, the skills matrix for directors is disclosed in the corporate governance report.

4. Other

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

We have been participating in 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. As a result, in October 2021, we acquired “2 Stars” in GRESB Rating, which is a five-grade evaluation system that reflects the applicant’s relative evaluation based on total GRESB Score, for efforts on environmental consideration and sustainability in the “Development Benchmark.” In addition, we acquired “Green Star^(*)” rating by receiving high marks in both “Management Component” and “Development Component” for three consecutive years.

*3 “Green Star” in the “Development Benchmark” is given to participants whose score is 50% or more in the absolute assessment based on the two main points, which are “Management Component” and “Development Component.”

9) Business Development by Segment

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

In the condominium sales business, we commenced selling new sales projects, including “Le JADE Gifu” (Gifu City, Gifu Prefecture; 54 units in total), “Le JADE Takatsuki Bessho” (Takatsuki City, Osaka Prefecture; 49 units in total), “Le JADE Takatsuki Nishimakami” (Takatsuki City, Osaka Prefecture; 43 units in total), and “Grand Crea Ichinomiya” (Ichinomiya City, Aichi Prefecture; 41 units in total; joint project with Chubu Real Estate). “Le JADE Mukonosono Honmachi.” (Amagasaki City, Hyogo Prefecture; 33 units in total) was sold out after completion; “Le JADE Nagaikoendori” (Sumiyoshi Ward, Osaka City; 108 units in total) and “Le JADE Neyagawa Koen” (Neyagawa City, Osaka Prefecture; 60 units in total), which are scheduled for completion during the fiscal year under review, and “Le JADE Hirano (Hirano Ward, Osaka City; 58 units in total), “Le JADE Tsukuba Station Front” (Tsukuba City, Ibaraki Prefecture; 218 units in total), “Le JADE Kakegawa Ekimae” (Kakegawa City, Shizuoka Prefecture; 83 units in total) and “Le Jade Urawa” (Urawa Ward, Saitama City; 44 units in total), which are scheduled for completion in the next fiscal year, are contracted to sell out.

Furthermore, we acquired land for a new sales project (Minami Ward, Fukuoka City and Higashi Ward, Sapporo City) in the Kyushu area and Hokkaido area, our first in those areas; “Chiba Research Park (Wakaba Ward, Chiba City),” our first logistics facility site in the Tokyo metropolitan area; and a project site (Minato Ward, Tokyo; Repro Shimbashi Project (tentative name)) near JR Shimbashi Station eyeing rental/development business over the medium to long term. Through these and other efforts, we have been working to expand our business area and diversify our business.

In the real estate leasing business, efforts are being made to secure stable rental income from commercial facilities owned by ES-CON JAPAN and to enhance their asset value. Such efforts included newly acquiring “tonarie Yokkaichi” (Yokkaichi City, Mie Prefecture), a community-based shopping center, opening “tonarie Fujimino” (former name: Soyoca Fujimino; Fujimino City, Saitama Prefecture), opening “tonarie CREO” at “tonarie Tsukuba Square (Tsukuba City, Ibaraki Prefecture),” a redevelopment project in front of Tsukuba Station in Ibaraki Prefecture, in phases (May and July 2021).

In addition, as previously mentioned, we aim to further enhance the leasing business and secure stable revenues through our plans to acquire shares of eight companies, including Picasso, which owns numerous outstanding revenue-generating properties including rental apartments and office buildings, and to make them our subsidiaries.

In the real estate planning agency and consulting business, focus is being placed on the segment as a business achieving high profit margins through subcontracting, planning agency and consulting, and other non-asset businesses by leveraging the planning and other strengths of ES-CON JAPAN, including launch of sale of permanent use rights of the columbarium.

As a result, ES-CON JAPAN achieved net sales of 43,620 million yen (down 32.8%), operating income of 4,849 million yen (down 57.0%), ordinary income of 4,015 million yen (down 61.7%) and profit attributable to owners of parent of 2,907 million yen (down 59.9%) for the first three quarters, all compared with the same period of the previous year.

The following describes the operating results by each segment, with figures compared with the same period of the previous year.

1) Real estate sales business

In the real estate sales business, activities included selling condominiums and revenue-generating real estate, and resulted in net sales of 38,156 million yen (down 37.1%) and segment income of 6,959 million yen (down 46.0%).

2) Real estate leasing business

In the real estate leasing business, focus was placed on leasing activities and the property management business in view of enhancement of asset value, including increase in rental income of owned revenue-generating real estate, resulting in net sales of 5,125 million yen (up 26.0%) and segment income of 2,125 million yen (up 21.3%).

3) Real estate planning agency and consulting business

In the real estate planning agency and consulting business, proactive efforts were made in such aspects as entrustment with planning, consulting and other services by making the best use of planning and multifaceted business-building abilities, but resulted in net sales of 338 million yen (up 95.5%) and segment loss of 446 million yen (segment income of 100 million yen in the same period of the previous year) due to delay in sales in the columbarium sales business and prior expenditure of advertising expenses.

(3) Explanation of Financial Position

Assets at the end of the first three quarters increased by 37,316 million yen compared with the end of the previous fiscal year to 186,739 million yen. This was mainly attributable to cash and deposits, property, plant and equipment and inventories increasing by 10,072 million yen, 2,545 million yen and 19,839 million yen, respectively.

Liabilities increased by 16,781 million yen compared with the end of the previous fiscal year to 127,577 million yen. This was mainly attributable to long-term loans payable, short-term loans payable and bonds payable increasing by 15,593 million yen.

Net assets increased by 20,534 million yen compared with the end of the previous fiscal year to 59,162 million yen. This was attributable to cash dividends paid of 2,645 million yen, while recording profit attributable to owners of parent of 2,907 million yen as well as the increase in capital and capital reserve by 10,235 million yen each with the capital increase through third-party allotment. As a result, the equity ratio was 31.9% (25.8% at the end of the previous fiscal year).

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

The consolidated earnings forecast remains unchanged from the forecast announced on February 24, 2021. The impact of the aforementioned acquisition of shares of Picasso and its seven Group companies on the consolidated earnings for the fiscal year under review is currently being examined. Should there be any matters to be disclosed, we will make an announcement promptly.

The fourth medium-term management plan for the three-year period from the fiscal year ending December 2021 through the fiscal year ending December 2023 is as explained earlier in this report.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	Fiscal year ended Dec. 2020 (as of Dec. 31, 2020)	Third quarter of fiscal year ending Dec. 2021 (as of Sept. 30, 2021)
Assets		
Current assets		
Cash and deposits	23,870	33,942
Notes and accounts receivable - trade	927	824
Real estate for sale	6,262	6,355
Real estate for sale in process	82,316	102,062
Other	8,739	11,496
Allowance for doubtful accounts	(0)	(0)
Total current assets	122,117	154,682
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,359	5,530
Accumulated depreciation	(889)	(1,185)
Buildings and structures, net	3,470	4,345
Land	11,262	12,327
Other	335	977
Accumulated depreciation	(191)	(227)
Other, net	143	749
Total property, plant and equipment	14,876	17,421
Intangible assets		
Goodwill	339	266
Other	63	55
Total intangible assets	403	322
Investments and other assets		
Other	12,064	14,260
Allowance for doubtful accounts	(37)	(37)
Total investments and other assets	12,026	14,222
Total non-current assets	27,306	31,966
Deferred assets		
Share issuance cost	—	90
Total deferred assets	—	90
Total assets	149,423	186,739

(Unit: million yen)

	Fiscal year ended Dec. 2020 (as of Dec. 31, 2020)	Third quarter of fiscal year ending Dec. 2021 (as of Sept. 30, 2021)
Liabilities		
Current liabilities		
Short-term loans payable	2,907	3,943
Current portion of long-term loans payable	26,093	36,774
Current portion of bonds	230	—
Income taxes payable	1,460	53
Other	9,121	11,343
Total current liabilities	39,813	52,113
Non-current liabilities		
Long-term loans payable	69,274	73,381
Provision for directors' share-based benefits	135	135
Provision for share-based benefits	46	55
Asset retirement obligations	260	269
Other	1,265	1,620
Total non-current liabilities	70,982	75,463
Total liabilities	110,795	127,577
Net assets		
Shareholders' equity		
Capital stock	6,284	16,519
Capital surplus	2,088	12,333
Retained earnings	31,429	31,691
Treasury shares	(1,348)	(1,328)
Total shareholders' equity	38,454	59,215
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	153	301
Foreign currency translation adjustment	(18)	12
Total accumulated other comprehensive income	134	313
Subscription rights to shares	1	1
Non-controlling interests	37	(367)
Total net assets	38,627	59,162
Total liabilities and net assets	149,423	186,739

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

(Unit: million yen)

	First three quarters of fiscal year ended Dec. 2020 (from Jan. 1, 2020, to Sept. 30, 2020)	First three quarters of fiscal year ending Dec. 2021 (from Jan. 1, 2021, to Sept. 30, 2021)
Net sales	64,927	43,620
Cost of sales	47,829	32,414
Gross profit	17,097	11,206
Selling, general and administrative expenses	5,826	6,357
Operating income	11,271	4,849
Non-operating income		
Interest income	12	10
Dividend income	46	52
Penalty income	20	17
Foreign exchange gains	—	15
Share of profit of entities accounted for using equity method	—	106
Other	11	13
Total non-operating income	90	215
Non-operating expenses		
Interest expenses	758	989
Share of loss of entities accounted for using equity method	86	—
Amortization of share issuance cost	—	18
Other	41	41
Total non-operating expenses	886	1,049
Ordinary income	10,475	4,015
Extraordinary income		
Gain on sales of non-current assets	0	—
Gain on reversal of subscription rights to shares	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	10,475	4,015
Income taxes - current	2,919	1,333
Income taxes - deferred	312	180
Total income taxes	3,232	1,513
Profit	7,243	2,501
Loss attributable to non-controlling interests	—	(405)
Profit attributable to owners of parent	7,243	2,907

(Quarterly Consolidated Statement of Comprehensive Income)
 First three quarters of fiscal year ending Dec. 2021

(Unit: million yen)

	First three quarters of fiscal year ended Dec. 2020 (from Jan. 1, 2020, to Sept. 30, 2020)	First three quarters of fiscal year ending Dec. 2021 (from Jan. 1, 2021, to Sept. 30, 2021)
Profit	7,243	2,501
Other comprehensive income		
Valuation difference on available-for-sale securities	(200)	148
Foreign currency translation adjustment	8	17
Share of other comprehensive income of entities accounted for using equity method	(4)	12
Total other comprehensive income	(195)	178
Comprehensive income	7,047	2,680
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	7,047	3,085
Comprehensive income attributable to non-controlling interests	—	(405)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

ES-CON JAPAN received payment of the capital increase through third-party allotment from Chubu Electric Power on April 5, 2021. As a result, capital and capital reserve increased by 10,235 million yen each in the first three quarters, and capital and capital surplus were 16,519 million yen and 12,333 million yen, respectively, at the end of the third quarter of the fiscal year under review.

(Change in Scope of Consolidation or Scope of Equity Method Application)

(Significant changes in scope of equity method application)

TSUNAGU Community Farm LLC was newly established and is included in the scope of equity method application from the third quarter of the fiscal year under review.

(Additional Information)

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

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

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

(Board Benefit Trust for Executives)

(1) Overview of the Transaction

- 1) We passed a resolution to introduce a performance-based stock reward system (the "System"; the trust established based on the trust agreement concluded with Resona Bank, Limited for the System is referred to as "board benefit trust for executives") at the Regular General Meeting of Shareholders held on March 20, 2015, with an aim to further clarify remuneration for directors (excluding auditor directors, external directors, and nonexecutive directors) and (authorized) executive managing officers (the "Directors"; hereinafter referred to as the same unless otherwise specified) of ES-CON JAPAN and the relationship between ES-CON JAPAN's operating results and share price, with the Directors not only benefiting from a rise in share price but also sharing the same risks as shareholders in relation to a fall in share price, thereby increasing awareness of contribution to the medium- to long-term improvement of operating results and enhancement of corporate value. Furthermore, we passed a resolution for continuation and partial revision of performance-based stock rewards for the Directors at the Regular General Meeting of Shareholders held on March 26, 2020, and the Regular General Meeting of Shareholders held on March 26, 2021.

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

Under the System, for a set period of three fiscal years from the fiscal year ending December 2021 to the fiscal year ending December 2023 as well as each subsequent period of three fiscal years, ES-CON JAPAN will contribute money up to 330 million yen (110 million yen per fiscal year multiplied by the number of target fiscal years) to the trust.

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

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

- Resolution passed at the Regular General Meeting of Shareholders held on March 26, 2021
Upper limit of funds for acquisition of shares (for the three fiscal years from the fiscal year ended December 2021 to the fiscal year ending December 2023 and each subsequent period of three fiscal years): 330 million yen

- 3) Scope of persons who are eligible to receive beneficiary rights and other rights under the System
The Directors of ES-CON JAPAN who have acquired the right to receive shares based on the officer stock ownership regulations.

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

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

(Share-Based Payment Benefits Type ESOP Trust)

(1) Overview of the transaction

ES-CON JAPAN passed a resolution to introduce a share-based payment benefits-type ESOP trust (the “System”; The trust established based on the trust agreement concluded with Resona Bank, Limited for the System is referred to as “Share-Based Payment ESOP”) at the 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.

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

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

Residual shares of ES-CON JAPAN in the trust are recorded as treasury shares under net assets using the book value in the trust (excluding the amount of incidental expenses). The book value of the treasury shares and the number of shares is 59 million yen and 233,000 shares for the previous fiscal year, and 57 million yen and 225,800 shares for the third quarter of the fiscal year under review.

(Business Combination through Acquisition)

ES-CON JAPAN resolved at the board of directors’ meeting held on August 31, 2021, to acquire all shares of Picasso Co., Ltd. and its Group companies (Yuki Sangyo Co., Ltd., Venus Corporation Co., Ltd., Cubic Co., Ltd., Santa Co., Ltd., Hirano Bussan Co., Ltd., Aria Co., Ltd., and Eikaku Y.K.), making them its subsidiaries, and concluded an agreement on the transfer of shares on the same day. Based on the agreement, ES-CON JAPAN plans to acquire all of the said shares with October 29, 2021, as the date of share transfer.

1. Overview of Business Combination

(1) Name and Business Description of Acquired Companies

Name of acquired company	Business description
Picasso Co., Ltd.	Real estate leasing, real estate management, real estate investment, etc.
Yuki Sangyo Co., Ltd.	Real estate leasing, management, brokerage services
Venus Corporation Co., Ltd.	Real estate management
Cubic Co., Ltd.	Real estate leasing, management, brokerage services
Santa Co., Ltd.	Real estate leasing, management, brokerage services
Hirano Bussan Co., Ltd.	Real estate leasing, management, brokerage services
Aria Co., Ltd.	Real estate leasing, management, brokerage services
Eikaku Y.K.	Real estate leasing, management, brokerage services

(2) Main Reason for Business Combination

ES-CON JAPAN has decided to acquire 100% of the shares of Picasso Co., Ltd., which is engaged in real estate leasing chiefly in the Kansai area, and its seven Group companies and to make them its subsidiaries, with an aim to secure stable revenues from revenue-generating properties.

Founded in the city of Osaka in 1991, Picasso Co., Ltd., alongside the seven Group companies, is active in real estate leasing chiefly in the Kansai area, and owns numerous outstanding revenue-generating properties, including rental apartments and office buildings.

ES-CON JAPAN is currently pressing ahead with businesses based on "IDEAL to REAL 2023," the fourth medium-term management plan, for the three-year period from the fiscal year ending December 2021 through the fiscal year ending December 2023. One of the business strategies in the plan calls for "Transformation and Rapid Progress," specifically the transformation of management focus from flows to stock and transformation to a structure of sustained and stable revenues.

This acquisition of subsidiaries will rapidly move ahead with the changing of the revenue structure by enhancing the leasing business and securing stable revenues, and thus we believe it will contribute dramatically to the sustained growth of ES-CON JAPAN Group.

(3) Date of Business Combination

October 29, 2021 (planned)

(4) Legal Framework of Business Combination

Acquisition of shares with cash as consideration

(5) Names of the Companies after Business Combination

There are no changes to the names of the companies after business combination.

(6) Percentage of Voting Rights to Be Acquired

100%

(7) Main Reasons for Determining Acquisition

ES-CON JAPAN's acquisition of shares with cash as consideration

2. Breakdown of Acquisition Cost and Consideration for Companies to Be Acquired (Total for Aforementioned Eight Companies)

Acquisition consideration	Cash	29,800 million yen (planned)
Acquisition cost		29,800 million yen (planned)

3. Major Acquisition-Related Expenses and Amount

Due diligence fee, etc. (estimated amount) 100 million yen

4. Amount, Reason, Amortization Method and Amortization Period for Goodwill

Yet to be determined.

5. Breakdown of Amounts of Assets to Be Acquired and Liabilities to Be Assumed on the Date of Business Combination

Yet to be determined.

(Segment Information, Etc.)

[Segment Information]

I. First Three Quarters of Fiscal Year Ended Dec. 2020 (from January 1, 2020, to September 30, 2020)

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

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	60,686	4,067	173	64,927	—	64,927
Intersegment net sales or transfers	—	—	—	—	—	—
Total	60,686	4,067	173	64,927	—	64,927
Segment income	12,886	1,752	100	14,739	(3,467)	11,271

(Note 1) The reconciliation of segment income of -3,467 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

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

2. Information on Impairment Loss on Non-Current Assets or Goodwill, Etc. by Reporting Segment

II. First Three Quarters of Fiscal Year Ending Dec. 2021 (from January 1, 2021, to September 30, 2021)

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

(Unit: million yen)

	Reporting segment			Total	Reconciliation (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Real estate sales business	Real estate leasing business	Real estate planning agency and consulting business			
Net sales						
Net sales to external customers	38,156	5,125	338	43,620	—	43,620
Intersegment net sales or transfers	—	—	—	—	—	—
Total	38,156	5,125	338	43,620	—	43,620
Segment income (loss)	6,959	2,125	(446)	8,638	(3,788)	4,849

(Note 1) The reconciliation of segment income (loss) of -3,788 million yen is corporate expenses not attributable to any reporting segment. Corporate expenses are general and administrative expenses not attributable to reporting segments.

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

2. Information on Impairment Loss on Non-Current Assets or Goodwill, Etc. by Reporting Segment

Not applicable.

(Significant Subsequent Events)

(Borrowing of a large amount of funds)

ES-CON JAPAN resolved at its board of directors' meeting held on October 26, 2021, to borrow funds through the following syndicate loan for the purpose of procurement of funds for acquisition of shares and refinancing of existing loans when acquiring all shares of Picasso Co., Ltd. and its seven Group companies and making them subsidiaries, and concluded a syndicate loan agreement on the same date.

Overview of Syndicate Loan

(1) Arranger	Sumitomo Mitsui Banking Corporation
(2) Joint arranger	Mizuho Bank, Ltd.
(3) Participating financial institution	Shinkin Central Bank
(4) Borrowing amount	50,000 million yen
(5) Drawdown date	October 29, 2021
(6) Repayment date	October 31, 2022
(7) Repayment method	Lump-sum repayment
(8) Interest rate	Base rate (1-month TIBOR) + 0.4%

3. Other
Status of Contracts and Sales

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

Classification	Third quarter of fiscal year ending Dec. 2021 (from Jul. 1, 2021, to Sept. 30, 2021)			
	Contract amount during the period		Balance of contracts at the end of the period	
	Number of units (units)	Amount (million yen)	Number of units (units)	Amount (million yen)
Mid- to high-rise housing, etc.	257	13,585	992	51,824
Other	—	13,232	—	1,756
Total	257	26,817	992	53,580

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

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

Name of segment	First three quarters of fiscal year ending Dec. 2021 (from Jan. 1, 2021, to Sept. 30, 2021)		
	Property name	Number of units (units)	Amount (million yen)
Real estate sales business	Condominiums	539	22,315
	Suroy Mall Nagamine	—	4,600
	Fuji Grand Natalie	—	3,950
	Genboen, Koga-shi	—	1,874
	Commercial leasehold land in Sapporo-shi	—	1,300
	Commercial leasehold land in Neyagawa-shi	—	702
	Commercial leasehold land in Amagasaki-shi	—	565
	Commercial leasehold land in Kobe-shi	—	530
	Commercial leasehold land in Hikone-shi	—	300
	3-chome, Aoyamadai, Suita-shi	—	226
	Matsukazecho, Hiratsuka-shi	—	107
	Other	—	1,684
	Subtotal	539	38,156
Real estate leasing business			5,125
Real estate planning agency and consulting business			338
	Total		43,620

(Note 1) There are no transactions between segments.

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