

# Financial Report for the Fiscal Period Ended July 31, 2022 (REIT)

September 14, 2022

REIT Issuer: ESCON JAPAN REIT Investment Corporation  
 Securities Code: 2971  
 Representative: (Title) Executive Director

Stock Exchange Listing: TSE  
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Supplementary materials: Yes

IR Conference: Yes (For institutional investors and analysts)

[Amounts are rounded down to the nearest million yen]

## 1. Status of Management and Assets for the Fiscal Period Ended July 31, 2022 (From February 1, 2022 to July 31, 2022)

### (1) Management

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FP2022/7	2,706	9.3	1,382	(8.3)	1,269	0.3	1,268	0.3
FP2022/1	2,476	29.6	1,506	37.6	1,265	26.4	1,264	26.3

	Net income per unit*	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
FP2022/7	3,604	3.2	1.7	46.9
FP2022/1	3,601	3.7	1.9	51.1

\* Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (351,199 units for the fiscal period ended January 31, 2022, and 351,967 units for the fiscal period ended July 31, 2022) and rounded to the nearest whole number.

### (2) Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
FP2022/7	3,604	1,268	—	—	100.0	3.2
FP2022/1	3,593	1,264	—	—	100.0	3.3

\* Since the number of investment units has changed due to the issuance of new investment units during the period, the payout ratio for the period ended January 31, 2022 is calculated using the following formula and rounded off to one decimal place.

Payout ratio = Total distributions (excluding distribution in excess of earnings) ÷ Net income × 100

### (3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
FP2022/7	76,014	39,375	51.8	111,873
FP2022/1	75,840	39,371	51.9	111,862

### (4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
FP2022/7	2,174	(13)	(1,616)	6,052
FP2022/1	1,155	(17,093)	17,660	5,508

**2.Management Status Forecasts for the Fiscal Period Ending January 31, 2023 (From August 1, 2022 to January 31, 2023), and the Fiscal Period Ending July 31, 2023 (From February 1, 2023 to July 31, 2023).**

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
FP2023/1	2,480	(8.3)	1,298	(6.1)	1,127	(11.1)	1,126	(11.2)	3,201	-
FP2023/7	2,473	(0.3)	1,251	(3.6)	1,133	0.5	1,132	0.5	3,218	-

(Reference) Estimated net income per unit:

Estimated net income ÷ Estimated the number of investment units at end of period  
 FP2023/1: 3,201 yen                      FP2023/7: 3,218 yen

**\* Others**

(1) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

- |   |    |
|---|----|
| (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: | No |
| (ii) Changes in accounting policies other than (i):                                       | No |
| (iii) Changes in accounting estimates:  | No |
| (iv) Restatements   | No |

(2) Total Number of Investment Units Issued and Outstanding

- (i) Total number of investment units issued and outstanding at end of period (including own investment units):
- (ii) Number of own investment units at end of period:

FP2022/7	351,967units	FP2022/1:	351,967units
FP2022/7	0 units	FP2022/1:	0 units

\*For the number of investment units serving as the basis of calculation for net income per unit, refer to Notes to Per Unit Information on page 21.

(3) Rounding processing

Unless otherwise specified in this document, monetary figures are rounded down to the nearest whole unit and ratios are rounded off to the first decimal place.

\* This financial report has not been subjected to audit procedures by a certified public accountant or audit firm.

**\* Special Note**

(Caution Concerning Forward-Looking Statements, etc.)

The outlook for management status and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are deemed reasonable by ESCON REIT. Accordingly, actual management status and other results may differ materially from these forward-looking statements due to a variety of factors. In addition, these forecasts do not intend to guarantee the amount of distribution.

For details on assumptions for the forecast figures above, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending January 31, 2023 (From August 1, 2022 to January 31, 2023), and the Fiscal Period ending July 31, 2023 (From February 1, 2023 to July 31, 2023) on page 6.

## Table of Contents

1 . Operations.....	2
(1) Operations.....	2
(2) Investment Risk.....	7
2 . Financial Statement.....	8
(1) Balance Sheets.....	8
(2) Statements of Income and Retained Earnings.....	10
(3) Statements of Unitholders' Equity .....	11
(4) Statements of Cash Dividend Distributions.....	12
(5) Statements of Cash Flows.....	13
(6) Notes on going Concern Assumptions.....	14
(7) Notes on Matters Concerning Significant Accounting Policies.....	14
(8) Notes on changes in presentation methods.....	15
(9) Notes concerning significant accounting estimates.....	15
(10) Notes to Financial Statements.....	16
(11) Changes in total number of investment units issued and outstanding.....	22
3 . Reference Information.....	23
(1) Portfolio information.....	23
(2) Capital expenditures.....	28

## 1. Operations

### (1) Operations

#### i. Overview of the Fiscal Period ended July 31, 2022

##### A. Brief background of the REIT

ESCON REIT was established on August 26, 2016, with ES-CON ASSET MANAGEMENT Ltd. (hereinafter the “Asset Manager”) as the organizer, based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter the “Investment Trust Act”), and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on February 13, 2019 (securities code: 2971).

ESCON REIT will continue to pursue long-term stability and earnings growth by building a portfolio focused on investments in commercial facilities\*<sup>1</sup> and leasehold land\*<sup>2</sup> deeply rooted in local communities in the Four Major Metropolitan Areas\*<sup>3</sup> where the concentrated population is expected to last. ESCON REIT now owns 38 properties with a total acquisition price of 69,604 million yen as of the end of the current fiscal period.

ESCON REIT shares the same Vision Concept\*<sup>4</sup> as ES-CON Japan Ltd. (hereinafter “ES-CON JAPAN”) in becoming a Lifestyle Developer\*<sup>5</sup> that develops not only buildings but also the lives of those who live in the buildings while thinking of their happiness. By drawing on property development and management expertise that ES-CON JAPAN has cultivated as a general real estate developer\*<sup>6</sup>, and we aim to maximize unitholder value through consistently expanding our assets under management.

As the parent company of the Asset Manager, ES-CON JAPAN is a consolidated subsidiary of Chubu Electric Power Co., Inc. (hereinafter “Chubu Electric Power”). ES-CON JAPAN and Chubu Electric Power are in a business and capital partnership to bolster the Group’s real estate business. ESCON REIT and the Asset Manager have signed a sponsor support agreement with ES-CON JAPAN and support agreements with Chubu Electric Power and Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”).

\*<sup>1</sup> A “Commercial “Facility” refers to real estate occupied chiefly by commercial tenants, such as retailers, restaurants, cafes, service providers and amusement facility operators. A lifestyle-focused commercial facility, which is the type of property that ESCON REIT mainly invests in, refers to a commercial facility supplying goods and services needed for daily life that is directly connected to a railway station or located in a densely populated area or on an arterial road or in other areas of daily life. The same applies hereinafter.

\*<sup>2</sup> “Leasehold Land” refers to land leased by a third party on which a building is owned by the said third party. The same applies hereinafter.

\*<sup>3</sup> The “Four Major Metropolitan Areas” refers to the Tokyo Metropolitan Area, the Kinki Metropolitan Area, the Chukyo Metropolitan Area and the Fukuoka Metropolitan Area. The Tokyo Metropolitan Area refers to Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma Prefectures, the Kinki Metropolitan Area refers to Osaka, Kyoto, Hyogo, Nara and Shiga Prefectures, the Chukyo Metropolitan Area refers to Aichi, Shizuoka, Mie and Gifu Prefectures, and the Fukuoka Metropolitan Area refers to Fukuoka Prefecture.

\*<sup>4</sup> ESCON REIT’s “Vision Concept” is creating the ideal community that residents love and enjoy with pride. ESCON REIT conducts asset management while sharing this Vision Concept with ES-CON JAPAN, sponsor of ESCON REIT and a lifestyle developer engaging in the development of people’s lives. The term “Vision Concept” has been coined by combining the words “Vision”, which refers to a state in which an entity hopes to be in the future, and “Concept”, which refers to an idea or notion. This term is used in this document to signify how ESCON REIT aims to be, and the basic concept.

\*<sup>5</sup> “Lifestyle Developer” refers to the corporate branding concept of ES-CON JAPAN, which is to be a developer of not only the buildings but also the lifestyles of those who live in them while thinking of their happiness, creating richness unprecedented in the real estate industry, and connecting people with communities in the future.

\*<sup>6</sup> As used in this document, a “general developer” means a developer conducting a wide variety of real estate development projects such as condominiums, detached residential houses, commercial facilities, hotels and logistical facilities; i.e., a developer with a comprehensive approach to all aspects of development as a business.

##### B. Operating environment and Management performance

As for the Japanese economy during the current fiscal period, although real GDP growth in the April-June period of 2022 (second preliminary report) was positive at 0.9% (3.5% annualized), due to positive contributions from private consumption, private non-residential investment and government Consumption. Against a backdrop of global monetary tightening, there remains a risk of a downturn in overseas economies, which along with other factors, could put downward pressure on the Japanese economy. There are also concerns about the impact of rising prices on households and businesses and lingering supply-side constraints which make it difficult to be optimistic.

In the J-REIT market during the current fiscal period, the TSE REIT Index temporarily fell below 1,900 points due to concerns of an economic slowdown caused by rapid inflation due to soaring energy and raw material prices as a result of the situation in the Ukraine, along with a rise in the U.S. consumer price index and long-term interest rates in major countries. However, the Bank of Japan maintained its monetary easing policy at its Monetary Policy Meeting, giving the market a sense of security, and the TSE REIT Index recovered to the 2,000-point level. In commercial facilities, the situation for tenants in the apparel, restaurant, and service industries remains severe. On the other hand, tenants that handle daily necessities such as supermarkets, drug stores and DIY stores are performing relatively well.

Under such an environment, ESCON REIT continued to focus on ensuring the safety of customers and tenant employees at its retail facilities, while working to secure stable income by appropriately managing assets under management and implementing measures to increase income, such as attracting tenants to vacant properties, for example attracting “Akachan Hnpo” to tonarie Yamatotakada, which increased the occupancy rate of that property from 93.3% to 100.0%, and by replacing tenants when their contracts expire. On the other hand, although the main tenant of Yoshizuya Y Store Nishiharu (formerly Pare Marche Nishiharu),

whose lease contract expired in April 2022, was replaced without any downtime, the rent level was lowered. We will continue to focus on leasing the third floor of Yoshizuya Y Store Nishiهارو, which is currently vacant.

As a result of the measures above, the occupancy rate of the 38 assets under management as of the end of the fiscal period under review was 99.9%.

In addition, in March 2022, ESCON REIT established materiality (key issue) pertaining to its ESG activity policy. Recognizing that ESG initiatives will help increase unitholders' value, ESCON REIT and the Asset Manager continues to promote efforts to reduce environmental impact and revitalize local communities.

#### C. Procurement of funds

During the current fiscal period, Asset Manager made a lump-sum repayment of borrowings of 354 million yen on July 29, 2022.

As a result of this repayment, the balance of interest-bearing debt as of the end of the period was 33,091 million yen, and the ratio of interest-bearing debt to total assets (hereinafter, "LTV") was 43.5%.

ESCON REIT received an issuer rating of "A-" (Stable) from Rating and Investment Information, Inc.(R&I). ESCON REIT shall aim to improve further credibility while maintaining the flexibility of fund procurement and stable financial management.

#### D. Performance and distributions

As a result of the management actions described above, ESCON REIT posted operating revenue of 2,706 million yen, operating income of 1,382 million yen, ordinary income of 1,269 million yen and net income of 1,268 million yen for the fiscal period under review.

For distribution, ESCON REIT has decided to distribute an amount of 1,268,489,068 yen as earnings distributions, which is almost equal to the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,604 yen.

#### E. About the Asset Manager's Business Improvement Order and Business Suspension Order

On July 15, 2022, the Asset Manager received a Business Improvement Order based on Article 51 of the Financial Instruments and Exchange Act and a Business Suspension Order based on Article 52, Paragraph 1 of the same act from the Financial Services Agency. Since then, based on discussions with and guidance from the supervisory authorities, the Asset Manager has worked to improve its business operations and created a report summarizing the current status of its business improvement measures (the "Business Improvement Report") which was submitted to the Financial Services Agency on August 15, 2022, and accepted.

## ii. Outlook for next period

### A. Outlook for the overall management environment

On the outlook of the Japanese economy, although the economy is expected to pick up due to the roll-out of vaccinations against COVID-19 and other factors, the Company will pay close attention to the impact of the spread of infection, supply constraints, downside risks due to trends in raw material prices, and the effects of fluctuations in the financial and capital markets.

Regarding the Japanese real estate investment market, the impact of COVID-19 on medium-long term market trends and tenants of commercial facilities must be closely monitored given the serious downturn in the real economy.

Under these circumstances, ESCON REIT will continue to appropriately manage the assets and ensure stable and sound financial operations are in place to secure strong revenues and steadily increase asset values over the medium to long term.

### B. Internal growth

To maintain and grow stable revenues over the medium to long term, ESCON REIT will take measures for maintaining and increasing rent revenue and streamlining management expenses.

#### a. Maintaining and increasing rent revenue

ESCON REIT will grasp trends and needs of tenants (factors for customer dissatisfaction and their potential needs in both hardware and software of facilities) through the periodic exchange of information with the property management company and will improve the satisfaction of tenants and build and strengthen relationships of trust with them by actively taking measures to build relations and implementing appropriate and prompt measures. In addition, we will aim to contribute to local revitalization and community formation by holding various events and social contribution activities with the participation of local residents and tenants at commercial facilities closely related to daily life, and will also work to reduce costs and consider the environment by switching to LED lighting fixtures in common areas. According to these measures, ESCON REIT will aim to secure stable revenue by maintaining and increasing rent revenue and preventing cancellations.

For new tenant leasing, ESCON REIT will make efforts to maximize the rent generation period and rent level through leasing activities based on controlling market trends, by making maximum use of the networks of the Asset Manager and the ES-CON group (ES-CON JAPAN and its subsidiaries and affiliated companies) and periodically exchanging information with the property management company in charge of new tenant leasing.

#### b. Streamlining management expenses

ESCON REIT will formulate the operation and management plan of individual properties to streamline management expenses and improve their efficiency while maintaining and increasing tenant satisfaction and the competitiveness of properties. For operating and managing properties, ESCON REIT will efficiently manage the assets by strengthening the relationship with the property management company.

### C. External growth

ESCON REIT will work to achieve steady external growth by actively using the solid sponsor pipeline based on the real estate development capabilities of ES-CON JAPAN as a sponsor and as a general developer and in collaboration with the Chubu Electric Power Group (Chubu Electric Power and its subsidiaries and affiliates), as a supporter. We will make maximum use of sponsor support, such as the granting of preferential negotiation rights for real estate properties owned by ES-CON Japan, redevelopment support for assets under management, and support from Chuden Real Estate, primarily in the form of warehousing functions, while thoroughly managing conflicts of interest as described in the Business Improvement Report, as we seek to expand the scale of ESCON REIT's assets and improve the quality of its portfolio.\*

\*Under the Business Suspension Order, management instructions for the acquisition of real estate (including trust beneficiary interests in real estate) are prohibited from July 15, 2022 through October 14, 2022, and we have no plans to acquire new properties during this period.

### D. Financial policy

ESCON REIT will raise funds to achieve stable and sound financial operations for the purpose of securing stable revenues and steadily improving the asset value over the medium to long term.

The issuance of new investment units will be determined based on the assessment of the current financial environment, taking into consideration the LTV, the dilution of rights of the existing unitholders and the potential decline in the transaction price of investment units, with the aim of expanding the scale of assets under management and improving their profitability.

When making loans and issuing investment corporation bonds (including short-term investment corporation bonds), ESCON REIT will raise funds in consideration of the balance between the mobility of financing and financial stability as well as the characteristics of acquired real estates. Specifically, we will examine the financing methods (loans, investment corporate bonds), the ratio of long-

term debt, ratio of loans with fixed interest rates, the diversification of repayment dates and the need to provide security, among others.

For the LTV, we will set 50% as the upper limit, in principle, based on our policy of maintaining a conservative threshold.

We will also efficiently and appropriately manage cash by accurately assessing the financing needs of our portfolio through constant monitoring.

#### E. Compliance with laws and regulations

ESCON REIT and the Asset Manager will further strengthen their legal compliance and internal control systems, including conflict of interest management, as described in the Business Improvement Report, and strive to achieve fair and appropriate business operations.

#### iii. Significant subsequent events

Not applicable.

#### iv. Outlook for the management status

ESCON REIT expects the management status for the fiscal periods ending January 31, 2023 and July 31, 2023 as shown below. For the assumptions about the management status, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying January 31, 2023 (From August 1, 2022 to January 31, 2023) and the Fiscal Period Underlying July 31, 2023 (From February 1, 2023 to July 31, 2023)” on page 6.

	Operating revenues	Operating income	Ordinary income	Net income	DPU (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	DPU (including distributions in excess of earnings)
12 <sup>th</sup> fiscal period ending January 31, 2023	2,480 million yen	1,298 million yen	1,127 million yen	1,126 million yen	3,201 yen	-	3,201 yen
13 <sup>th</sup> fiscal period ending July 31, 2023	2,473 million yen	1,251 million yen	1,133 million yen	1,132 million yen	3,218 yen	-	3,218 yen

\*The forecast values above are calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit may change due to the future acquisition or sale of real estate, trends in the real estate market, and fluctuations in interest rates and changes in other circumstances surrounding ESCON REIT. The forecasts do not intend to guarantee the amount of these items.

Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying January 31, 2023 (From August 1, 2022 to January 31, 2023) and the Fiscal Period Underlying July 31, 2023 (From February 1, 2023 to July 31, 2023)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>◆ 12<sup>th</sup> fiscal period: August 1, 2022 to January 31, 2023 (184 days)</li> <li>◆ 13<sup>th</sup> fiscal period: February 1, 2023 to July 31, 2023 (181 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>◆ For the forecast of financial results, it is assumed that ESCON REIT will continue to own the real estate beneficiary interests in 38 properties already acquired up to the fiscal period ended July 31, 2022 that there will be no changes made to the assets under management such as acquisition of new properties and/or disposition of portfolio properties, etc. until the end of the period ending July 31, 2023.</li> <li>◆ Changes may arise due to the acquisition of new properties other than the Intended Acquisition Assets, disposition of portfolio properties, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>◆ Real estate leasing revenue is calculated based on lease contracts effective as of the date of this document, taking into account tenant and market trends and other factors.</li> <li>◆ Operating revenue is based on the assumption that tenants will pay their rents without delinquency.</li> <li>◆ Operating revenue is based on the assumption that no gain/loss on sale of real estate will occur.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>◆ Of the real estate leasing business expenses which are the major operating expense, expenses excluding depreciation, are calculated based on past actual expenses, and reflect variable factors.</li> <li>◆ Property taxes and city planning taxes are expected to be 212 million yen for the fiscal period ending January 31, 2023 and 218 million yen for the fiscal period ending July 31, 2023.</li> <li>◆ As expenses for repairing buildings, the amount estimated based on the medium- and long-term repair plan created by the Asset Manager is accounted for. The actual repair expenses during a specific financial period may differ significantly from the expected amount, given that damage to buildings for unexpected reasons may give rise to emergency repair expenses, the amount generally varies considerably from fiscal period to fiscal period, and repair expenses do not fall under expenses that are regularly incurred.</li> <li>◆ Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc. and is expected to amount to 180 million yen in the fiscal period ending January 31, 2023 and 185 million yen in the fiscal period ending July 31, 2023.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>◆ Non-operating expenses for the period ending January 31, 2023 are estimated to be 170 million yen, of which 169 million yen is for interest expenses and other borrowing cost.</li> <li>◆ Non-operating expenses for the period ending July 31, 2023 are estimated to be 117 million yen, of which 116 million yen is for interest expenses and other borrowing cost.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>◆ It is assumed that interest-bearing liabilities at the end of period ending January 31, 2023 and at the end of period ending July 31, 2023 will be 33,091 million yen.</li> <li>◆ LTV ratio is expected to be approximately 43.8% at the end of the period ending January 31, 2023 and at the end of the period ending July 31, 2023.</li> </ul> <p>The following formula was used to calculate LTV ratio:  <math display="block">\text{LTV ratio} = \text{Total interest-bearing liabilities} \div \text{Total assets} \times 100</math></p>
Number of investment units	<ul style="list-style-type: none"> <li>◆ It is assumed that, in addition to the 351,967 units, no additional investment units will be issued before the end of the period ending July 31, 2023.</li> <li>◆ DPU (excluding distribution in excess of earnings) per unit for the period ending January 31, 2023 and period ending July 31, 2023 is calculated based on the anticipated number of investment units issued and outstanding totaling 351,967 units at the end of the period ending January 31, 2023 and period ending July 31, 2023.</li> </ul>
DPU (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>◆ DPU (excluding distribution in excess of earnings) is calculated based on the assumption that distributions will be conducted in accordance with the cash distribution policy provided in ESCON REIT's Articles of Incorporation.</li> <li>◆ DPU (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying changes in assets under management, changes in tenants, etc. or incurrence of unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>◆ Even though it is possible for ESCON REIT to make cash distributions in excess of earnings in accordance with the Articles of Incorporation, ESCON REIT does not intend to make such cash distributions at this point in time when factoring in the ratio of capital expenditures to depreciation expenses and in order to maintain conservative financial management.</li> </ul>
Others	<ul style="list-style-type: none"> <li>◆ It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, listing rules of the Tokyo Stock Exchange, Inc., and rules of The Investment Trusts Association, Japan, etc. that will impact the forecasted figures above.</li> <li>◆ It is assumed that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>



(2) Investment Risk

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent Annual Securities Report (submitted April 27, 2022).

## 2. Financial Statements

### (1) Balance Sheets

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	2,091,168	2,628,014
Cash and deposits in trust	3,417,259	3,424,810
Operating accounts receivable	45,438	64,514
Consumption taxes refund receivable	315,296	-
Prepaid expenses	60,122	54,126
Other	1,577	-
Total current assets	5,930,863	6,171,466
Noncurrent assets		
Property, plant and equipment		
Building	-	7,063
Accumulated depreciation	-	(282)
Building net	-	6,781
Buildings in trust	12,449,202	12,565,139
Accumulated depreciation	(717,071)	(885,961)
Buildings in trust, net	11,732,131	11,679,178
Structures in trust	145,289	146,110
Accumulated depreciation	(24,417)	(27,951)
Structures in trust, net	120,871	118,159
Tools, furniture and fixtures in trust	30,304	34,338
Accumulated depreciation	(7,013)	(9,910)
Tools, furniture and fixtures in trust, net	23,291	24,427
Land in trust	57,914,000	57,914,000
Total property, plant and equipment	69,790,294	69,742,547
Intangible assets		
Trademarks	664	610
Other	3,432	2,615
Total intangible assets	4,097	3,226
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	105,193	87,101
Deferred tax assets	19	10
Total investments and other assets	115,213	97,111
Total noncurrent assets	69,909,604	69,842,885
Total assets	75,840,468	76,014,351

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	92,630	441,832
Short-term borrowings	354,000	-
Current portion of long-term borrowings	9,860,000	9,860,000
Accounts payable - other	61,119	12,775
Accrued expenses	128,228	164,445
Income taxes payable	1,011	816
Accrued consumption taxes	-	88,948
Advances received	340,676	332,701
Deposits received	1,894	772
Total current liabilities	10,839,560	10,902,292
Non-current liabilities		
Long-term borrowings	23,231,000	23,231,000
Tenant leasehold and guarantee deposits in trust	2,397,951	2,505,350
Total non-current liabilities	25,628,951	25,736,350
Total liabilities	36,468,511	36,638,643
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,264,747	1,268,499
Total surplus	1,264,747	1,268,499
Total unitholders' equity	39,371,956	39,375,708
Total net assets	*1 39,371,956	*1 39,375,708
Total liabilities and net assets	75,840,468	76,014,351

## (2) Statements of Income and Retained Earnings

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Operating revenues		
Leasing business revenue	*1 2,230,463	*1 2,196,062
Other leasing business revenue	*1 246,164	*1 510,392
Total operating revenue	2,476,628	2,706,455
Operating expenses		
Expenses related to rent business	*1 794,032	*1 1,118,503
Asset management fees	105,335	138,050
Asset custodian fee	3,514	3,667
Administrative service fees	11,492	11,097
Remuneration for director (and other officers)	2,769	2,700
Taxes and public dues	12,649	8,435
Other operating expenses	40,268	41,758
Total operating expenses	970,061	1,324,211
Operating income	1,506,567	1,382,243
Non-operating income		
Interest income	17	25
Interest on tax refund	-	121
Other	1	-
Total non-operating income	18	147
Non-operating expenses		
Interest expenses	84,845	82,282
Financing fees	132,374	29,678
Investment unit issuance expenses	22,247	-
Other	1,230	1,230
Total non-operating expenses	240,697	113,191
Ordinary income	1,265,888	1,269,199
Income before income taxes	1,265,888	1,269,199
Income taxes-current	1,168	820
Income taxes - deferred	(10)	9
Total income taxes	1,158	829
Net income	1,264,729	1,268,369
Retained earnings bought forward	18	130
Unappropriated retained earnings (undisposed loss)	1,264,747	1,268,499

## (3) Statements of Unitholders' Equity

Previous fiscal period (From August 1, 2021 to January 31, 2022)

(Unit: Thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	28,439,581	1,001,208	1,001,208	29,440,790	29,440,790
Changes of items during the period					
New investment units	9,667,626	-	-	9,667,626	9,667,626
Dividends from surplus	-	(1,001,190)	(1,001,190)	(1,001,190)	(1,001,190)
Net income	-	1,264,729	1,264,729	1,264,729	1,264,729
Total changes of items during the period	9,667,626	263,538	263,538	9,931,165	9,931,165
Balance at the end of the period	*1 38,107,208	1,264,747	1,264,747	39,371,956	39,371,956

Current fiscal period (From February 1, 2022 to July 31, 2022)

(Unit: Thousand yen)

(Unit: Thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	38,107,208	1,264,747	1,264,747	39,371,956	39,371,956
Changes of items during the period					
Dividends from surplus	-	(1,264,617)	(1,264,617)	(1,264,617)	(1,264,617)
Net income	-	1,268,369	1,268,369	1,268,369	1,268,369
Total changes of items during the period	-	3,752	3,752	3,752	3,752
Balance at the end of the period	*1 38,107,208	1,268,499	1,268,499	39,375,708	39,375,708

## (4) Statements of Cash Dividend Distributions

(Unit: yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
I . Unappropriated retained earnings	1,264,747,853	1,268,499,888
II . Distributions	1,264,617,431	1,268,489,068
(Distributions per unit)	(3,593)	(3,604)
III . Retained earnings carried forward	130,422	10,820
How distributions were calculated	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESON REIT has decided to distribute 1,264,617,431 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p>	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESON REIT has decided to distribute 1,268,489,068 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p>

## (5) Statements of Cash Flows

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	1,265,888	1,269,199
Depreciation	175,256	176,473
Investment unit issuance expenses	22,247	-
Interest income	(17)	(25)
Interest expenses	84,845	82,282
Decrease (increase) in operating accounts receivable	(3,848)	(19,075)
Decrease (increase) in consumption taxes refund receivable	(315,296)	315,296
Decrease (increase) in prepared expenses	(15,534)	5,995
Decrease (increase) in long-term prepaid expenses	(83,708)	18,092
Increase (decrease) in operating accounts payable	10,679	349,202
Increase (decrease) in accounts payable - other	46,772	(50,288)
Increase (decrease) in accrued expenses	6,000	35,314
Increase (decrease) in accrued consumption taxes	(24,178)	88,948
Increase (decrease) in advances received	71,579	(7,974)
Others	462	(6,607)
Subtotal	1,241,148	2,256,832
Interest received	17	25
Interest paid	(84,942)	(81,379)
Income taxes paid	(961)	(1,015)
Net cash provided by operating activities	1,155,262	2,174,463
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment in trust	(17,811,487)	(120,792)
Proceeds from leasehold and guarantee deposits received in trust	730,310	177,142
Refund of leasehold and guarantee deposits received in trust	(11,877)	(69,742)
Net cash used in investing activities	(17,093,054)	(13,392)
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term borrowings	354,000	-
Decrease in short-term borrowings	-	(354,000)
Proceeds from long-term borrowings	19,026,000	-
Decrease of long-term borrowings	(10,365,000)	-
Proceeds from issuance of investment units	9,645,379	-
Distributions paid	(999,614)	(1,262,673)
Net cash provided by (used in) financing activities	17,660,765	(1,616,673)
Net increase (decrease) in cash and cash equivalents	1,722,973	544,397
Cash and cash equivalents at the beginning of period	3,785,454	5,508,428
Cash and cash equivalents at the end of period	*1 5,508,428	*1 6,052,825

(6) Notes on Going Concern Assumptions  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation and amortization of non-current assets	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The useful lives of property, plant and equipment are as follows.</p> <table> <tr> <td>Buildings</td><td>3 to 64 years</td></tr> <tr> <td>Structures</td><td>12 to 63 years</td></tr> <tr> <td>Furniture and fixtures</td><td>3 to 10 years</td></tr> </table> <p>(2) Intangible assets The straight-line method is used.</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>	Buildings	3 to 64 years	Structures	12 to 63 years	Furniture and fixtures	3 to 10 years
Buildings	3 to 64 years						
Structures	12 to 63 years						
Furniture and fixtures	3 to 10 years						
2. Accounting for deferred assets	<p>Investment unit issuance expenses The entire amount is expensed as incurred.</p>						
3. Accounting standards for revenues and expenses	<p>(1) Standards for revenue recognition The following is a description of the ESCON REIT's main performance obligations with respect to revenues arising from contracts with customers and the normal time at which such performance obligations are satisfied (i.e., the normal time at which revenue is recognized).</p> <p>i. Sales of real estate. For sales of real estate revenue is recognized when the customer (i.e., the buyer) obtains control of the real estate as a result of our fulfillment of the delivery obligations stipulated in the sales contract for the real estate.</p> <p>ii. Utilities charges received Utilities charges received are recorded as revenues according to the supply of electricity, water to the lessee as a customer, based on the lease contract of the real estate and other related agreements.</p> <p>(2) Accounting for property taxes With respect to property taxes, city planning taxes, depreciable asset taxes on real estate holdings, the amounts corresponding to the current fiscal period are treated as expenses related to the leasing business. Consistent with the acquisition of real estate or trust beneficiary interests in real estate, the amount equivalent to property taxes for the first year paid to the transferor as a settlement payment is not recorded as an expense and is included in the acquisition cost for the purchased real estate property. The amount equivalent to Noncurrent asset tax, etc. included in the cost of acquisition of real estate, etc. in the previous fiscal period under review was 40,013 thousand yen. There is no amount equivalent to Noncurrent taxes, etc. included in the acquisition costs for real estate, etc. in the current fiscal periods.</p>						
4. Scope of funds in the statements of cash flows	<p>Funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.</p>						



5. Other Items Forming the Basis for the Preparation of Financial Statements	<p>(1) Accounting for trust beneficial interests in real estate as trust asset</p> <p>For trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheet and the profit and loss statement.</p> <p>Included in the trust assets accounted for under the respective account items, the following items of significance are separately classified on the balance sheet.</p> <ul style="list-style-type: none"> <li>i. Cash in trust and deposits in trust</li> <li>ii. Buildings in trust and structures in trust <ul style="list-style-type: none"> <li>Tools, furniture and fixtures in trust and land in trust</li> </ul> </li> <li>iii. Leasehold and guarantee deposits received in trust</li> </ul> <p>(2) Accounting for consumption taxes</p> <p>Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p>
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(8) Notes on changes in presentation methods

From the current fiscal period, impairment loss on non-current assets is stated in view of materiality (Notes on Significant Accounting Estimates).

(9) Notes concerning significant accounting estimates

Previous fiscal period (From August 1, 2021 to January 31, 2022)  
Not applicable.

Current fiscal period (From February 1, 2022 to July 31, 2022)

Impairment of non-current assets

1. Amount recorded in financial statements (Unit: Thousand yen)

Property, plant and equipment	69,742,547
Intangible assets	3,226
Impairment losses	—

2. Information concerning significant accounting estimates related to identified items

In accordance with accounting standards for impairment of non-current assets, ESCON REIT applies an accounting method to reduce the book value of non-current assets to the recoverable amount when recovery of the amount invested is not expected due to a decline in profitability. In applying the accounting treatment, each property owned by ESCON REIT is considered as one asset group, and when there is an indication of impairment due to continuous operating losses, significant decline in market price, or significant deterioration of the business environment, it is determined whether to have to recognize an impairment loss. Estimated future cash flows are used to determine whether an impairment loss should be recognized. When recognition of an impairment loss is deemed necessary, the book value of the asset is reduced to its recoverable amount based on an external real estate appraisal, etc., and the amount of the reduction is recognized as an impairment loss.

Future cash flows are determined through an overall consideration of market trends, examples of transactions involving similar properties, and other factors regarding rents, occupancy rates, leasing business expenses, as well as other factors that are taken into account when estimating future cash flows.

The rents, occupancy rates, leasing business expenses, etc. for each property may be affected by trends in the real estate leasing market, etc. Therefore, any changes in the assumptions used for estimates, including these, may affect ESCON REIT's asset and profit and loss status in the following fiscal period.

## (10) Notes to Financial Statements

[Note to Balance Sheets]

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
*1 Minimum amount of net assets provided for in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations	50,000	50,000

[Notes to Statements of Income and Retained Earnings]

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
*1 Description of income from real estate leasing operations		
A. Real estate leasing business revenue		
Leasing business revenue		
Lease income	1,052,287	1,045,773
Land lease income received	823,393	824,893
Common service fees	122,033	122,315
Other lease income revenues	232,748	203,080
Total	2,230,463	2,196,062
Other leasing business revenues		
Utilities charges received	234,509	236,861
Restoration revenue	73	250,068
Other revenues	11,581	23,462
Total	246,164	510,392
Total real estate leasing business revenue	2,476,628	2,706,455
B. Real estate leasing business expenses		
Expenses related to leasing business		
Administrative expenses	192,137	206,219
Trust fees	8,704	9,225
Utilities charges	212,766	241,940
Non-life insurance premiums	4,488	4,492
Repair expenses	31,804	240,434
Taxes and public dues	160,263	214,171
Depreciation	174,386	175,603
Other leasing business expenses	9,481	26,415
Total expenses related to leasing business	794,032	1,118,503
C. Income from real estate leasing business (A - B)	1,682,596	1,587,952

(Changes in presentation methods)

“Restoration revenue,” which was included in “Other revenues” in the previous fiscal period, is presented separately for the current fiscal period due to its increased importance in terms of amount.

As a result, “Restoration revenue” of 73 thousand yen, which was included in “Other revenues” in the previous fiscal period, has been reclassified as “Restoration revenue”.

[Notes to Statements of Unitholders' Equity]

\*1. Total number of investment units authorized and total number of investment units issued and outstanding

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	351,967 units	351,967 units

[Notes to Statements of Cash Flows]

\*1. Relationship between the ending balance of cash and cash equivalents and the amounts of items posted in the balance sheets

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Cash and deposits	2,091,168	2,628,014
Cash and deposits in trust	3,417,259	3,424,810
Cash and cash equivalents	5,508,428	6,052,825

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

ESCON REIT takes a balanced approach to raising funds through borrowings from financial institutions and the issuance of investment corporate bonds and investment units to contribute to the steady growth of assets under management as well as implementing an efficient and stable management style.

When taking out borrowings from financial institutions and issuing investment corporate bonds, ESCON REIT will take into account the balance between the flexibility of financing, the financial stability and the nature of the acquired real estate assets. Specifically, ESCON REIT will examine the financing methods, the ratio of long-term loans, the ratio of fixed interest rates, the diversification of repayment dates and the need to provide security, among other factors. When borrowing funds, lenders will be limited to the qualified institutional investors specified in the Financial Instruments and Exchange Act (however, limited to the institutional investors specified in Article 67-15 of the Act on Special Measures Concerning Taxation).

The issuance of new investment units will be determined based on the assessment of the current financial environment and taking into consideration the LTV, the dilution of rights of the existing unitholders and potential decline in the transaction price of investment units, with the aim of expanding the scale of assets under management and improving their profitability.

ESCON REIT may engage in derivative transactions to hedge the interest volatility and other risks arising from its liabilities. In the current fiscal period, ESCON REIT did not enter into any derivative transactions.

(2) Description of financial instruments and associated risks, and the risk management system

Borrowings are taken out mainly for the purpose of raising funds to acquire assets and repay the borrowings. While the Company is exposed to risk of increasing interest rates on the borrowings upon refinancing and may not be able to refinance the borrowings, ESCON REIT works to mitigate the risks by diversifying the lenders, due dates and taking a balanced financing approach including the issuance of investment units. ESCON REIT also manages risks to its operation from rising interest rates through the close monitoring of fluctuations in interest rates and the appropriate control of LTV.

(3) Supplementary explanation on matters concerning the fair value of financial instruments

Certain assumptions and other factors were used in calculating the fair value of financial instruments, and the results may differ due to different assumptions and other factors used in valuing the financial instruments.

## 2. Matters concerning the fair value, etc. of financial instruments

Balance sheet amount, fair value and their differences as of January 31, 2022 are as follows: Notes to Cash and deposits, Cash and deposits in trust and Short-term borrowings are not disclosed since the fair value of these instruments approximates book value due to short term nature of these instruments. Fair value for tenant lease and guarantee deposits in trust have been omitted since the balances are not material to the financial statements.

(Unit: Thousand yen)

	Carrying value	Fair value *1	Difference
(1) Current portion of long-term borrowings	9,860,000	9,860,000	-
(2) Long-term borrowings	23,231,000	23,231,000	-
Total liabilities	33,091,000	33,091,000	-

Balance sheet amount, fair value and their differences as of July 31, 2022 are as follows: Notes to Cash and deposits, and Cash and deposits in trust are not disclosed since the fair value of these instruments approximates book value due to short term nature of these instruments. Fair value for Leasehold and guarantee deposits received in trust have been omitted since the balances are not material to the financial statements.

(Unit: Thousand yen)

	Carrying value	Fair value *1	Difference
(1) Current portion of long-term borrowings	9,860,000	9,860,000	-
(2) Long-term borrowings	23,231,000	23,231,000	-
Total liabilities	33,091,000	33,091,000	-

\*1 The method used in calculating the fair value of the financial instruments

(1) Current portion of long-term borrowings, (2) Long-term borrowings

The borrowings have variable interest rates and interest is adjusted to the current market rates and accordingly, the fair value of the borrowings should approximate the carrying value of the borrowings.

\*2 Scheduled redemption of loans after the closing date (January 31, 2022)

(Unit: Thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	9,860,000	4,610,000	2,386,000	6,111,500	5,736,500	4,387,000
Total	9,860,000	4,610,000	2,386,000	6,111,500	5,736,500	4,387,000

Scheduled redemption of loans after the closing date (July 31, 2022)

(Unit: Thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	9,860,000	4,610,000	5,273,000	6,111,500	5,736,500	1,500,000
Total	9,860,000	4,610,000	5,273,000	6,111,500	5,736,500	1,500,000

[Notes to Deferred Income Taxes]

1. Significant components of the deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	19	10
Total deferred tax assets	19	10
(Net deferred tax assets)	19	10

## 2. Reconciliation of Significant Differences Between the Statutory Tax Rate and the Effective Tax Rate After Applying Deferred Income Tax Accounting

(Unit: %)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
Effective statutory tax rate	31.46	31.46
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.43)	(31.44)
Others	0.06	0.05
Burden rate of corporate taxes after applying tax effect accounting	0.09	0.07

[Notes to Real Estate for Lease]

ESCON REIT owns commercial facilities and real estate for lease, the principal use of which is leasehold land. The carrying value, changes during the period and fair value at the end of the period of these properties are as follows.

(Unit: Thousand yen)

		Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Carrying value *1	Balance at the beginning of the period	52,153,193	69,790,294
	Changes during the period *2	17,637,100	(47,747)
	Balance at the end of the period	69,790,294	69,742,547
Fair value at the end of the period *3		75,149,200	73,077,400

Notes:

\*1 The carrying value includes the acquisition cost and incidental costs associated with the acquisition.

\*2 Of the changes during the period, most of the increase of the previous fiscal period was mainly due to the acquisition of 11 properties, including SUROY MALL Nagamine etc. (17,783,835 thousand yen in total), while the decrease is mainly due to depreciation (174,386 thousand yen). The increase in the current fiscal period is mainly due to capital expenditures for 7 properties, including tonarie Minami-senri etc. (127,856 thousand yen in total), while the decrease is mainly due to depreciation (175,603 thousand yen).

\*3 The fair value at the end of the period was determined by an outside real estate appraisers.

Profit and loss of real estate for lease are as described in "Notes to Statements of Income and Retained Earnings."

[Notes to Revenue Recognition]

### 1. Breakdown of revenue from contracts with customers

Previous fiscal period (From August 1, 2021 to January 31, 2022)

(Unit: Thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate, etc.	—	—
Utilities charges received *2	234,509	234,509
Other	—	2,242,119
Total	234,509	2,476,628

\*1 Leasing business income subject to ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" is not included in "Revenue from contracts with customers", because the accounting standard for revenue recognition does not apply to such income. Revenues from contracts with customers mainly include revenues from sales of real estate and utility charges.

\*2 Utilities charges received are recorded as revenues based on the use of electricity, water and other utilities by the lessee and is in accordance with agreements with the lessee.

Current fiscal period (From February 1, 2022 to July 31, 2022)

(Unit: Thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate, etc.	—	—
Utilities charges received *2	236,861	236,861
Other	—	2,469,594
Total	236,861	2,706,455

\*1 Leasing business income subject to ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" is not included in "Revenue from contracts with customers", because the accounting standard for revenue recognition does not apply to such income. Revenues from contracts with customers mainly include revenues from sales of real estate and utility charges.

\*2 Utilities charges received are recorded as revenues based on the use of electricity, water and other utilities by the lessee and is in accordance with agreements with the lessee.

## 2. Underlying information to understand the revenue from contracts with customers

Previous fiscal period (From August 1, 2021 to January 31, 2022)

As described in the Notes on Matters Concerning Significant Accounting Policies.

Current fiscal period (From February 1, 2022 to July 31, 2022)

As described in the Notes on Matters Concerning Significant Accounting Policies.

## 3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from the contracts with customers that exist at the end of the current fiscal period

### (1) Balance of contract assets and contract liabilities,

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Receivables from contracts with a customer (at the beginning of the period)	30,433	34,272
Receivables from contracts with a customer (at the end of the period)	34,272	45,923
Contract assets (balance at the beginning of period)	-	-
Contract assets (balance at the end of period)	-	-
Contract liabilities (balance at the beginning of period)	-	-
Contract liabilities (balance at the end of period)	-	-

### (2) Transaction prices allocated to remaining performance obligations

Not applicable.

For utility charges Income, the Company recognizes revenues at the amount it is entitled to charge in accordance with paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition as the Company is entitled to receive from the customers (lessees) the amount of consideration that directly corresponds to the value to the customers for the portion of performance completed by the end of the period. Therefore, the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition have been applied and the transaction price allocated to the remaining performance obligations has not been included in the notes to transaction prices.

[Notes to Per Unit Information]

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Net assets per unit	111,862 yen	111,873 yen
Net income per unit	3,601 yen	3,604 yen

Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days during the period and rounded to the nearest whole number.

Diluted net income per unit is not stated because there are no dilutive investment units.

\* The basis for calculating net income per unit is as follows:

		Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Net income	(Thousand yen)	1,264,729	1,268,369
Amount not attributable to common unitholders	(Thousand yen)	-	-
Net income for common investment units	(Thousand yen)	1,264,729	1,268,369
Average number of investment units during the period	(Units)	351,199	351,967

[Notes to Significant Subsequent Events]

Not applicable.

(11) Changes in total number of investment units issued and outstanding

Changes in the total amount of investment and the total number of investment units issued and outstanding for ESCON REIT since its establishment to July 31, 2022, are as follows.

Date	Summary	Total number of investment units Issued and outstanding(units)		Total amount of investment (Thousand yen)		Remarks
		Increase	Balance	Increase	Balance	
August 26, 2016	Establishment through private placement	2,000	2,000	200,000	200,000	*1
February 13, 2017	Capital increase through private placement	7,500	9,500	750,000	950,000	*2
October 13, 2017	Investment unit split	500	10,000	-	950,000	*3
December 1, 2017	Capital increase through private placement	38,649	48,649	3,671,655	4,621,655	*4
February 12, 2019	Capital increase through public offering	188,351	237,000	18,319,583	22,941,238	*5
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236,472	28,177,710	*6
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261,871	28,439,581	*7
August 2, 2021	Capital increase through public offering	65,700	348,682	9,207,263	37,646,845	*8
August 24, 2021	Capital increase through third-party allotment	3,285	351,967	460,363	38,107,208	*9

Notes:

\*1 ESCON REIT was established through private placement of investment units with the offer price per unit of 100,000yen.

\*2 ESCON REIT issued new investment units through private placement with the offer price per unit of 100,000 yen for the purpose of raising funds to acquire specified assets.

\*3 ESCON REIT split investment units at a rate of 1.05264 units for one investment unit, with October 13, 2017 as the effective date.

\*4 ESCON REIT issued new investment units through private placement with the offer price per unit of 95,000 yen for the purpose of raising funds to acquire specified assets.

\*5 ESCON REIT issued new investment units through a public offering with the offer price per unit of 101,000 yen per unit (issue price of 97,263 yen) for the purpose of raising funds to acquire specified assets.

\*6 ESCON REIT issued new investment units through a public offering with offer price per unit 124,029 yen (issue price of 119,576 yen) for the purpose of raising funds to acquire specified assets.

\*7 ESCON REIT issued new investment units through a third-party allotment with issue price per unit 119,576 yen, for the purpose of raising funds for the future acquisition of specific assets or repayment of loans.

\*8 ESCON REIT issued new investment units through a public offering with offer price per unit 145,282 yen (issue price of 140,141 yen) for the purpose of raising funds to acquire specified assets.

\*9 ESCON REIT issued new investment units through a third-party allotment with issue price per unit 140,141 yen, for the purpose of raising funds for the future acquisition of specific assets or repayment of loans.



### 3. Reference Information

#### (1) Portfolio information

##### i. Status of investment

Asset type	Region	10 <sup>th</sup> fiscal period As of January 31, 2022		11 <sup>th</sup> fiscal period As of July 31, 2022	
		Total holdings (Million yen) *1	Ratio to total assets (%) *2	Total holdings (Million yen) *1	Ratio to total assets (%) *2
Real estate	Chukyo metropolitan area	-	-	6	0.0
Total real estate		-	-	6	0.0
Real estate in trust	Tokyo metropolitan area	7,779	10.3	7,771	10.2
	Kinki metropolitan area	34,393	45.4	34,360	45.2
	Chukyo metropolitan area	5,035	6.6	5,053	6.6
	Fukuoka metropolitan area	10,537	13.9	10,537	13.9
	Other area	12,043	15.9	12,012	15.8
Total real estate in trust		69,790	92.0	69,735	91.7
Deposits and other assets		6,050	8.0	6,271	8.3
Total assets		75,840	100.0	76,014	100.0

	Amount (Million yen)	Ratio to total assets (%) *2	Amount (Million yen)	Ratio to total assets (%) *2
Total liabilities	36,468	48.1	36,638	48.2
Total net assets	39,371	51.9	39,375	51.8

\*1 The total amount owned is based on the amount on the balance sheets as of the end of the fiscal period and rounded down to the nearest million yen.

\*2 The ratio to total assets is rounded off to the nearest first decimal place.

##### ii. Investment assets

##### A. Major investment securities

Not applicable.

##### B. Investment properties

Investment real estate, together with assets held through trust beneficiary interests, are collectively recorded in “C. Other major investment assets” below.

C. Other major investment assets

a. Overview of assets owned

The overview of real estate, which is the trust asset of trust beneficial interests owned by ESCON REIT.

(As of July 31, 2022)

Property number *1	Property name	Location	Acquisition price (Million yen) *2	Book value (Million yen) *3	Appraisal value at the end of the period (Million yen) *4	Appraiser
ST-1	Asumigaoka Brand-New Mall (including Asumigaoka (Leasehold land))	Chiba City, Chiba Prefecture	3,200	3,204	3,380 297	The Tanizawa Sogo Appraisal Co., Ltd.
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	451	454	468	Daiwa Real Estate Appraisal Co., Ltd.
SS-1	K's Denki Oyumino (Leasehold land)	Chiba City, Chiba Prefecture	2,710	2,737	2,880	JLL Morii Valuation & Advisory KK
SS-2	Nitori Tsuchiura (Leasehold land)	Tsuchiura City, Ibaraki Prefecture	999	1,007	1,090	JLL Morii Valuation & Advisory KK
SS-3	Nitori Imaichi (Leasehold land)	Nikko City, Tochigi Prefecture	363	368	408	JLL Morii Valuation & Advisory KK
KT-1	tonarie Minami-senri	Suita City, Osaka Prefecture	7,200	7,214	8,010	The Tanizawa Sogo Appraisal Co., Ltd.
KT-2	tonarie Seiwadai	Kawanishi City, Hyogo Prefecture	3,290	3,190	3,420	Daiwa Real Estate Appraisal Co., Ltd.
KT-3	tonarie Yamatotakada (ownership 50%)	Yamatotakada City, Nara Prefecture	4,150	4,105	4,050	JLL Morii Valuation & Advisory KK
KT-4	tonarie Toga・Mikita	Sakai City, Osaka Prefecture	6,986	6,931	7,090	Daiwa Real Estate Appraisal Co., Ltd.
KS-1	LAMU Kitatsumori (Leasehold land)	Osaka City, Osaka Prefecture	1,270	1,284	1,480	JLL Morii Valuation & Advisory KK
KS-2	K's Denki Nishi-kobe (Leasehold land)	Kobe City, Hyogo Prefecture	2,133	2,154	2,470	JLL Morii Valuation & Advisory KK
KS-3	Sanyo Marunaka Mitani (Leasehold land)	Kobe City, Hyogo Prefecture	1,430	1,443	1,530	JLL Morii Valuation & Advisory KK
KS-4	Tsutaya Sakai-minami (Leasehold land)	Sakai City, Osaka Prefecture	946	955	1,030	JLL Morii Valuation & Advisory KK
KS-5	LIFE Daisen (Leasehold land)	Sakai City, Osaka Prefecture	2,733	2,758	3,060	Daiwa Real Estate Appraisal Co., Ltd.
KS-6	TRIAL Omihachiman (Leasehold land)	Omihachiman City, Shiga Prefecture	1,010	1,019	1,100	JLL Morii Valuation & Advisory KK
KS-7	Kusuri no Aoki Ikaruga (Leasehold land) *5	Ikoma District, Nara Prefecture	711	718	(1)702 (2)28	JLL Morii Valuation & Advisory KK
KS-8	DRUG Yutaka Mukokamiueno (Leasehold land)	Muko City, Kyoto Prefecture	460	464	477	JLL Morii Valuation & Advisory KK
KS-9	WELCIA Amagasaki Mukomotomachi (Leasehold land)	Amagasaki City, Hyogo Prefecture	565	571	577	The Tanizawa Sogo Appraisal Co., Ltd.
KS-10	Cocokara Fine Neyagawakoen (Leasehold land)	Neyagawa City, Osaka Prefecture	702	709	717	The Tanizawa Sogo Appraisal Co., Ltd.
KS-11	ENEOS Ikawadani SS (Leasehold land)	Kobe City, Hyogo	530	535	531	The Tanizawa Sogo Appraisal Co., Ltd.

		Prefecture				
KS-12	GEO Hikone Takamiya (Leasehold land)	Hikone City, Shiga Prefecture	300	304	306	The Tanizawa Sogo Appraisal Co., Ltd.
TT-1	Yoshizuya Y Store Nishiharu *6	Kitanagoya City, Aichi Prefecture	4,610	4,576	2,330	Daiwa Real Estate Appraisal Co., Ltd.
TS-1	MaxValu Kikyogaoka- higashi (Leasehold land)	Nabari City, Mie Prefecture	477	483	541	JLL Morii Valuation & Advisory KK
FS-1	MrMAX Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	3,387	3,428	3,930	The Tanizawa Sogo Appraisal Co., Ltd.
FS-2	UNIQLO Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	595	601	670	The Tanizawa Sogo Appraisal Co., Ltd.
FS-3	Avail.Shimamura Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	863	874	1,110	The Tanizawa Sogo Appraisal Co., Ltd.
FS-4	au-Softbank Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	143	145	160	The Tanizawa Sogo Appraisal Co., Ltd.
FS-5	Kura Sushi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	261	264	304	The Tanizawa Sogo Appraisal Co., Ltd.
FS-6	docomo Shop Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	160	163	181	The Tanizawa Sogo Appraisal Co., Ltd.
FS-7	Konpira Maru Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	236	239	265	The Tanizawa Sogo Appraisal Co., Ltd.
FS-8	One-Karubi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	236	239	265	The Tanizawa Sogo Appraisal Co., Ltd.
FS-9	Suke-san Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	401	405	420	The Tanizawa Sogo Appraisal Co., Ltd.
FS-10	NAFCO Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	2,631	2,666	3,430	The Tanizawa Sogo Appraisal Co., Ltd.
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	1,487	1,506	1,840	The Tanizawa Sogo Appraisal Co., Ltd.
OT-1	SUROY MALL Nagamine	Kumamoto City, Kumamoto Prefecture	4,600	4,617	4,650	JLL Morii Valuation & Advisory KK
OT-2	Fuji Grand Natalie	Hatsukaichi City, Hiroshima Prefecture	3,950	3,948	4,100	Daiwa Real Estate Appraisal Co., Ltd.
OS-1	K's Denki Kurashiki (Leasehold land)	Kurashiki City, Okayama Prefecture	2,121	2,136	2,450	JLL Morii Valuation & Advisory KK
OS-2	YAMADA DENKI Tecc Land Sapporo Shiroishi	Sapporo City, Hokkaido Prefecture	1,300	1,310	1,330	The Tanizawa Sogo Appraisal Co., Ltd.
	Total		69,604	69,742	73,077	

Notes:

\*1 Property number is a code or number given to a portfolio asset according to the region in which it is located and whether it is leasehold land or land + building. Property numbers have the following meanings: ST (Tokyo metropolitan area, land + building); SS (Tokyo metropolitan area, leasehold land); KT (Kinki metropolitan area, land + building); KS (Kinki metropolitan area, leasehold land); TT (Chukyo metropolitan area, land + building); TS (Chukyo metropolitan area, leasehold land); FT (Fukuoka metropolitan area, land + building); FS (Fukuoka metropolitan area, leasehold land); OT (Other region besides the top four metropolitan areas, land + building); OS (Other region besides the top four metropolitan areas, leasehold land). The same applies hereafter.

\*2 The acquisition price is an amount (sales price stated in the sales contract) not including expenses required for the acquisition of real estate (sales intermediary fees, taxes and public dues, etc.).

\*3 The book value is rounded down to the stated value.

\*4 The appraisal value at the end of the period is an appraisal value by a real estate appraiser based on the Articles of Incorporation of ESCON REIT and rules set by the Investment Trusts Association, Japan, with the end of the fiscal period as the date of investigation.

\*5 The Property has fixed-term business-use land lease agreements with two lessees, Kusuri no Aoki Co., Ltd. and Ikaritombo Co., Ltd., and the "Acquisition price" and "Book value" are the sum of the amounts for the two lessees. In addition, "Appraisal value at end of period" shows the portion pertaining to Kusuri no Aoki Co., Ltd. as (1) and the portion pertaining to Ikaritombo Co., Ltd. as (2).

\*6 OKUWA Co. Ltd., which had leased one building of this property, departed on April 20, 2022. In addition, on March 15, 2022, a lease agreement for the entire building was concluded with Yoshizuya Co., Ltd., and the name of the retail building was changed from "Pare Marche Nishiharu" to "Yoshizuya Y Store Nishiharu" as of April 21, 2022. The same applies hereafter.

b. Overview of lease

The total number of tenants, rentable area, leased area, occupancy rate and real estate rent business revenue of the real estate owned are as follows.

(As of July 31, 2022)

Property number	Property name	Total number of tenants *1	Rentable area (m <sup>2</sup> ) *2	Leased area (m <sup>2</sup> ) *2	Occupancy rate (%) *2 *3	Real estate rent business revenue (Million yen) *4	Ratio to total rent revenue (%)
ST-1	Asumigaoka Brand-New Mall	30	22,480.50	22,411.71	99.7	237	8.8
	Asumigaoka Brand-New Mall (Leasehold land)	2	2,672.67	2,672.67	100.0		
ST-2	Nishi-shiroi Ekimae Plaza	4	969.72	969.72	100.0	20	0.8
SS-1	K's Denki Oyumino (Leasehold land)	1	23,379.50	23,379.50	100.0	70	2.6
SS-2	Nitori Tsuchiura (Leasehold land)	1	10,312.00	10,312.00	100.0	Not disclosed *6	Not disclosed *6
SS-3	Nitori Imaichi (Leasehold land)	1	10,236.00	10,236.00	100.0	Not disclosed *6	Not disclosed *6
KT-1	tonarie Minami-senri	46	7,598.31	7,590.27	99.9	331	12.3
KT-2	tonarie Seiwadai	33	8,798.01	8,798.01	100.0	193	7.1
KT-3	tonarie Yamatotakada (Ownership 50%)	67	14,414.67	14,414.67	100.0	168	6.2
KT-4	tonarie Toga・Mikita	32	8,471.24	8,471.24	100.0	259	9.6
KS-1	LAMU Kitatsumori (Leasehold land)	1	11,677.03	11,677.03	100.0	38	1.4
KS-2	K's Denki Nishi-kobe (Leasehold land)	1	9,787.68	9,787.68	100.0	62	2.3
KS-3	Sanyo Marunaka Mitani (Leasehold land)	1	9,610.80	9,610.80	100.0	Not disclosed *6	Not disclosed *6
KS-4	Tsutaya Sakai-minami (Leasehold land)	1	4,406.04	4,406.04	100.0	21	0.8
KS-5	LIFE Daisen (Leasehold land)	1	9,264.48	9,264.48	100.0	72	2.7
KS-6	TRIAL Omihachiman (Leasehold land)	1	17,268.43	17,268.43	100.0	Not disclosed *6	Not disclosed *6
KS-7	Kusuri no Aoki Ikaruga (Leasehold land) *5	2	8,486.78	8,486.78	100.0	Not disclosed *6	Not disclosed *6
KS-8	DRUG Yutaka Mukokamiueno (Leasehold land)	1	1,839.21	1,839.21	100.0	Not disclosed *6	Not disclosed *6
KS-9	WELCIA Amagasaki Mukomotomachi (Leasehold land)	1	1,491.47	1,491.47	100.0	Not disclosed *6	Not disclosed *6
KS-10	Cocokara Fine Neyagawakoen (Leasehold land)	1	2,728.00	2,728.00	100.0	Not disclosed *6	Not disclosed *6
KS-11	ENEOS Ikawadani SS (Leasehold land)	1	2,634.83	2,634.83	100.0	Not disclosed *6	Not disclosed *6
KS-12	GEO Hikone Takamiya (Leasehold land)	1	2,237.60	2,237.60	100.0	Not disclosed *6	Not disclosed *6
TT-1	Yoshizuya Y Store Nishiharu	55	26,432.58	26,331.65	99.6	378	14.0
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	1	9,025.88	9,025.88	100.0	Not disclosed *6	Not disclosed *6
FS-1	MrMAX Kasuga (Leasehold land)	1	38,113.27	38,113.27	100.0	84	3.1
FS-2	UNIQLO Kasuga (Leasehold land)	1	5,426.59	5,426.59	100.0	13	0.5

FS-3	Avail.Shimamura Kasuga (Leasehold land)	1	8,752.57	8,752.57	100.0	23	0.9
FS-4	au-Softbank Kasuga (Leasehold land)	1	1,200.84	1,200.84	100.0	3	0.1
FS-5	Kura Sushi Kasuga (Leasehold land)	1	2,257.85	2,257.85	100.0	7	0.3
FS-6	docomo Shop Kasuga (Leasehold land)	1	1,358.76	1,358.76	100.0	4	0.2
FS-7	Konpira Maru Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.2
FS-8	One-Karubi Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.2
FS-9	Suke-san Kasuga (Leasehold land)	1	3,126.16	3,126.16	100.0	10	0.4
FS-10	NAFCO Kasuga (Leasehold land)	1	33,928.37	33,928.37	100.0	Not disclosed *6	Not disclosed *6
FS-11	K's Denki Kasuga (Leasehold land)	1	16,961.48	16,961.48	100.0	37	1.4
OT-1	SUROY MALL Nagamine	25	12,622.98	12,390.88	98.2	173	6.4
OT-2	Fuji Grand Natalie	1	28,543.96	28,543.96	100.0	Not disclosed *6	Not disclosed *6
OS-1	K's Denki Kurashiki (Leasehold land)	1	11,433.38	11,433.38	100.0	Not disclosed *6	Not disclosed *6
OS-2	YAMADA DENKI Tecc Land Sapporo Shiroishi	1	8,154.00	8,154.00	100.0	Not disclosed *6	Not disclosed *6
	Total	325	402,070.60	401,660.74	99.9	2,706	100.0

Notes:

\*1 The total number of tenants is stated based on data as of the closing date. For properties for which a pass-through type master lease contract is concluded, the total number of tenants and the occupancy rate calculated based on end tenants are stated. However, the number of end-tenants for "Fuji Grand Natalie," whose master leasing company is Fuji Co., Ltd., is not stated, and only the number of master leasing companies is stated.

\*2 "Leasable area" is the total area considered available for lease in the acquired assets (if the acquired asset is leasehold lands, such lands) as of July 31, 2022, based on the various lease agreements, reports prepared by property management companies, or building plans. The Leasable Area for Yoshizuya Y Store Nishiharu is based on the leased area in the completion drawing, etc. for certain lease contracts where the leased area is not stated. In addition, the Leased Area for assets for which a master lease agreement has been concluded is the total area that has actually been leased to end tenants with sublease agreements, etc., rounded to the second decimal place. However, for "Fuji Grand Natalie," whose master leasing company is Fuji Co., Ltd., the leased area from the master lease agreement is rounded to the second decimal place. The occupancy rate is given based on the data as of the end of the fiscal period. Although ESCON REIT owns a 50% quasi-co-ownership interest in the trust beneficiary rights for tonarie Yamatotakada, the above table shows the figures for the entire properties.

\*3 The occupancy rate is calculated by the calculation formula below based on data as of the closing date.

$$\text{Occupancy rate} = \text{Leased area} \div \text{Rentable area} \times 100$$

\*4 The real estate rent business revenue is rounded off to the stated value.

\*5 The Property has fixed-term business-use land lease agreements. with two lessees, Kusuri no Aoki Co., Ltd., and Ikaritombo Co., Ltd, and the "Acquisition price" and "Book value" are the sum of the amounts for the two lessees.

\*6 The figure is not disclosed because no consent to disclosure is obtained from tenants and other parties.

(2) Capital expenditures

i. Schedule of capital expenditures

A schedule of major capital expenditures for renovation work, etc. currently planned for the assets held as of July 31, 2022 is shown below.

Please note that the projected construction amounts below include the portion to be treated as expenses for accounting purposes.

Property name	Location	Purpose of Construction	Scheduled construction period	Estimated construction cost (Million yen)		
				Total	Current fiscal period Amount paid	Total amount of already paid
tonarie Minami-senri	Suita City, Osaka Prefecture	Escalator renewal construction work	From December, 2022 to February, 2023	81	-	-
Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	Air conditioning equipment renewal construction work	From May, 2023 to May, 2023	5	-	-

ii. Capital expenditures during the period

There is no repair work applicable to the capital expenditure in current fiscal period on the assets owned as of July 31, 2022.