

# Financial Report for the Fiscal Period Ended January 31, 2023 (REIT)

March 17, 2023

REIT Issuer: ESCON JAPAN REIT Investment Corporation  
Securities Code: 2971  
Representative: Atsumu Sasaki, Executive Director

Stock Exchange Listing: TSE  
URL: <https://www.escon-reit.jp/>

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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 January 31, 2023 (From August 1, 2022 to January 31, 2023)

### (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	%
FP2023/1	2,541	(6.1)	1,362	(1.4)	1,194	(5.9)	1,859	46.6
FP2022/7	2,706	9.3	1,382	(8.3)	1,269	0.3	1,268	0.3

	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	%	%	%
FP2023/1	5,283	4.7	1.6	47.0
FP2022/7	3,604	3.2	1.7	46.9

\* Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (351,967 units for the fiscal period ended July 31, 2022, and 351,967 units for the fiscal period ended January 31, 2023) 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	%	%
FP2023/1	5,283	1,859	-	-	100.0	4.7
FP2022/7	3,604	1,268	-	-	100.0	3.2

### (3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
FP2023/1	76,300	39,966	52.4	113,552
FP2022/7	76,014	39,375	51.8	111,873

### (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
FP2023/1	1,674	(99)	(1,269)	6,358
FP2022/7	2,174	(13)	(1,616)	6,052

**2. Management Status Forecasts for the Fiscal Period Ending July 31, 2023 (From February 1, 2023 to July 31, 2023), and the Fiscal Period Ending January 31, 2024 (From August 1, 2023 to January 31, 2024).**

[% 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
FP2023/7	2,507	(1.3)	1,204	(11.6)	1,084	(9.2)	1,083	(41.7)	3,077	—
FP2024/1	2,552	1.8	1,231	2.2	1,085	0.1	1,084	0.1	3,082	—

(Reference) Estimated net income per unit: Estimated net income / Estimated the number of investment units at end of period

FP2023/7: 3,077 yen

FP2024/1: 3,082 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:

FP2023/1	351,967 units	FP2022/7	351,967 units
FP2023/1	0 units	FP2022/7	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 July 31, 2023 (From February 1, 2023 to July 31, 2023), and the Fiscal Period ending January 31, 2024 (From August 1, 2023 to January 31, 2024) on page 6 and 7.

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## 1. Operations

### (1) Operations

#### i. Overview of the Fiscal Period ended January 31, 2023

##### 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\*1 and leasehold land\*2 deeply rooted in local communities in the Four Major Metropolitan Areas\*3 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\*4 as ES-CON Japan Ltd. (hereinafter “ES-CON JAPAN”) in becoming a Lifestyle Developer\*5 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\*6, 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”).

\*1. 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.

\*2. “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.

\*3. 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.

\*4. 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.

\*5. “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.

\*6. 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

During the current fiscal period, the Japanese economy has been gradually picking up, with the real GDP growth rate in October-December period of 2022 (first preliminary report) was positive at 0.2% (0.6% annualized), the first positive growth in two quarters, due in part to various policies related to coexistence with the coronavirus. However, prices of natural resources and grains have generally declined after peaking around the middle of last year, but there is a risk that they may rise again depending on developments in the situation in Ukraine, etc. In an environment where inflationary pressures remain worldwide, it is difficult to be optimistic, as there are still concerns about the risk of a downturn in overseas economies putting downward pressure on the Japanese economy and the impact of rising prices on households and businesses, as well as supply-side constraints.

In the J-REIT market during the current fiscal period, the TSE REIT Index temporarily softened, falling below 1,800 points due to concerns about the Bank of Japan’s increased tolerance for fluctuations in long-term interest rates, and changes in interest rate policy as it transitions to a new regime, including a change in the Bank of Japan’s Governor. In commercial facilities, 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 and by replacing tenants when their contracts expire. As a result of the measures above, the occupancy rate of the 38 assets under management as of the end of the current fiscal period was 100.0%\*1. Regarding the third floor of Yoshizuya Y Store Nishiharu, which is vacant as of the end of the fiscal period, since fixed rent per tsubo based on the contracted floor area is added as tenants move in, we will continue to focus on leasing.

In addition, in October 2022, in the 2022 GRESB Real Estate Assessment, ESCON REIT received a “2 Stars” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won a “Green Star” designation for the second year in a row by achieving high performance both in “Management Component” that evaluates

policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of properties owned. ESCON REIT and the Asset Manager continues to promote efforts to reduce environmental impact and revitalize local communities.

\*1. The occupancy rate is calculated by the calculation formula below based on data as of the end of the fiscal period and rounded off to the nearest first decimal place.

Occupancy rate = Leased area / Leasable area \*100

The property consists of a commercial building and a residential building. The commercial building is subleased to YOSHIKAWA COMPANY LIMITED by master lessee ES-CON JAPAN, and the occupancy rate is calculated including the “leased area” on the third floor, which was vacant as of the end of the fiscal period. Taking into account the fact that the floor is vacant, the occupancy rate after deducting the “leased area” would be 98.8%.

### C. Procurement of funds

During the current fiscal period, in order to refinance 9,860 million yen in loans maturing on January 31, 2023, we borrowed the same amount of 9,860 million yen on the same date. As a result, the balance of interest-bearing debt as of the end of the current fiscal period was 33,091 million yen, and the ratio of interest-bearing debt to total assets (hereinafter, “LTV”) was 43.4%.

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 2,541 million yen, operating income of 1,362 million yen, ordinary income of 1,194 million yen and net income of 1,859 million yen for the fiscal period under review.

In the current fiscal period, ESCON REIT received 666 million yen from the Asset Manager as compensation for damages due to the Asset Manager's breach of fiduciary duty of loyalty, and such compensation for damages received was recorded as extraordinary income in the current fiscal period.

For distribution, ESCON REIT has decided to distribute an amount of 1,859 million 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 5,283 yen.

### ii. Outlook for next period

#### A. Outlook for the overall management environment

Regarding the outlook for the Japanese economy, although the economy is expected to pick up, partly due to the effects of various policies related to coexistence with the coronavirus, we need to pay close attention to the risk of a downturn in overseas economies, particularly the Chinese economy, and the risk of downward pressure on Japan's economy due to rising prices and supply-side constraints.

Additionally, regarding the Japanese real estate investment market, although the domestic economy is expected to be revitalized by the expected increase in inbound consumption that has been underway since the end of last year, we need to continue to monitor market trends and the impact on the tenants of commercial facilities over the medium to long term.

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. 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 the support provided by the Chubu Electric Power Group, primarily the provision of environmentally friendly technologies and know-how on energy cost reduction, while stringently managing conflicts of interest. In addition, going forward ESCON REIT will strive to collect information from a wide range of new sources other than sponsors and supporters, to broaden business opportunities and endeavor to expand the size of ESCON REIT's assets and improve the quality of its portfolio.

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

The Asset Manager received a business suspension order and a business improvement order on July 15, 2022 and submitted a report to the Commissioner of the Financial Services Agency on August 15, 2022, summarizing the status of its business improvement measures. With the support of its parent company ES-CON JAPAN and its ultimate parent company Chubu Electric Power, the Asset Manager has been making company-wide efforts to clarify our management stance regarding compliance with laws and regulations, to establish responsible compliance and internal control frameworks headed by our management team, and to review our operation methods in order to achieve fair and appropriate business.

Specifically, the Asset Manager has implemented various measures, such as the adoption of the Declaration of Compliance, establishment of a management philosophy, changes to the operational flow including property acquisition to further strengthen our governance system, acceptance of the dispatch of directors from Chubu Electric Power, changes to the rules for ordering real estate appraisals, revision of various rules and manuals, strengthening the monitoring of real estate appraisal order process by the Compliance Department, and the implementation of various training programs and proficiency tests to continuously improve our compliance practices regarding conflicts of interest.

In addition, ESCON REIT commissioned an investigation by an outside law firm that has no vested interest in the Asset Manager, etc., to determine whether or not any damage was caused by the Asset Manager's breach of fiduciary duty of loyalty concerning the acquisition of all properties it owns, and the investigation found that damages of 666 million yen had been incurred by ESCON REIT. After entering into an agreement with the Asset Manager on January 16, 2023, the full amount of compensation was paid. The effect of the compensation received has been excluded from the calculation of management fees to be paid to the Asset Manager. Based on the establishment of the compliance and internal control systems mentioned above, ESCON REIT and the Asset Manager will continue to position the maintenance and improvement of these systems as the most important management issue, and will endeavor to implement 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 July 31, 2023 and January 31, 2024 as shown below. For the assumptions about the management status, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying July 31, 2023 (From February 1, 2023 to July 31, 2023) and the Fiscal Period Underlying January 31, 2024 (From August 1, 2023 to January 31, 2024)” on page 6-7.

	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)
13th fiscal period ending July 31, 2023	2,507 million yen	1,204 million yen	1,084 million yen	1,083 million yen	3,077 yen	-	3,077 yen
14th fiscal period ending January 31, 2024	2,552 million yen	1,231 million yen	1,085 million yen	1,084 million yen	3,082 yen	-	3,082 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 July 31, 2023 (From February 1, 2023 to July 31, 2023) and the Fiscal Period Underlying January 31, 2024 (From August 1, 2023 to January 31, 2024)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>13th fiscal period: February 1, 2023 to July 31, 2023 (181 days)</li> <li>14th fiscal period: August 1, 2023 to January 31, 2024 (184 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 January 31, 2023 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 January 31, 2024.</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> <li>Utilities charges received are expected to be 311 million yen for the fiscal period ending July 31, 2023 and 353 million yen for the fiscal period ending January 31, 2024.</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 217 million yen for the fiscal period ending July 31, 2023 and 217 million yen for the fiscal period ending January 31, 2024.</li> <li>Utilities charges are expected to be 337 million yen for the fiscal period ending July 31, 2023 and 381 million yen for the fiscal period ending January 31, 2024.</li> <li>Non-life insurance premiums are expected to be 10 million yen for the fiscal period ending July 31, 2023 and 10 million yen for the fiscal period ending January 31, 2024.</li> <li>Expenses for repairing buildings are expected to be 63 million yen for the fiscal period ending July 31, 2023 and 61 million yen for the fiscal period ending January 31, 2024. 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 182 million yen in the fiscal period ending July 31, 2023 and 187 million yen in the fiscal period ending January 31, 2024.</li> <li>In accordance with accounting standards for the impairment of fixed assets, we assume that no impairment loss will be recorded.</li> <li>Due to a water leak caused by sprinkler failure at tonarie Seiwadai, an asset under management of ESCON REIT, expenses for tenant operating compensation are expected 29 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 July 31, 2023 are estimated to be 120 million yen, of which 119 million yen is for interest expenses and other borrowing cost.</li> <li>Non-operating expenses for the period ending January 31, 2024 are estimated to be 145 million yen, of which 144 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 July 31, 2023 and at the end of period ending January 31, 2024 will be 33,091 million yen.</li> <li>LTV ratio is expected to be approximately 43.8% at the end of the period ending July 31, 2023 and at the end of the period ending January 31, 2024.</li> <li>LTV ratio: Total interest-bearing liabilities / Total assets *100</li> </ul>
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 January 31, 2024.</li> <li>DPU (excluding distribution in excess of earnings) per unit for the period ending July 31, 2023 and period ending January 31, 2024 is calculated based on the anticipated number of investment units issued and outstanding totaling 351,967 units at the end of the period ending July 31, 2023 and period ending January 31, 2024.</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 October 28, 2022).

## 2. Financial Statements

### (1) Balance Sheets

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2022	Current fiscal period As of January 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,628,014	2,852,651
Cash and deposits in trust	3,424,810	3,506,168
Operating accounts receivable	64,514	55,606
Prepaid expenses	54,126	64,974
Total current assets	6,171,466	6,479,401
Non-current assets		
Property, plant and equipment		
Buildings	7,063	7,063
Accumulated depreciation	(282)	(646)
Buildings, net	6,781	6,417
Buildings in trust	12,565,139	12,661,970
Accumulated depreciation	(885,961)	(1,058,360)
Buildings in trust, net	11,679,178	11,603,609
Structures in trust	146,110	146,110
Accumulated depreciation	(27,951)	(31,507)
Structures in trust, net	118,159	114,603
Tools, furniture and fixtures in trust	34,338	42,155
Accumulated depreciation	(9,910)	(13,430)
Tools, furniture and fixtures in trust, net	24,427	28,725
Land in trust	57,914,000	57,914,000
Total property, plant and equipment	69,742,547	69,667,355
Intangible assets		
Trademarks	610	556
Other	2,615	1,799
Total intangible assets	3,226	2,355
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	87,101	141,311
Deferred tax assets	10	28
Total investments and other assets	97,111	151,339
Total noncurrent assets	69,842,885	69,821,050
Total assets	76,014,351	76,300,452

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2022	Current fiscal period As of January 31, 2023
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	441,832	139,448
Current portion of long-term borrowings	9,860,000	4,610,000
Accounts payable	12,775	73,461
Accrued expenses	164,445	166,257
Income taxes payable	816	1,203
Accrued consumption taxes	88,948	19,688
Advances received	332,701	332,029
Deposits received	772	267
Total current liabilities	10,902,292	5,342,357
Non-current liabilities		
Long-term borrowings	23,231,000	28,481,000
Tenant lease and guarantee deposits in trusts	2,505,350	2,510,420
Total non-current liabilities	25,736,350	30,991,420
Total liabilities	36,638,643	36,333,778
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,268,499	1,859,465
Total surplus	1,268,499	1,859,465
Total unitholders' equity	39,375,708	39,966,674
Total net assets	*1 39,375,708	*1 39,966,674
Total liabilities and net assets	76,014,351	76,300,452

## (2) Statements of Income and Retained Earnings

(Unit: thousand yen)

	Previous fiscal period From February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Operating revenues		
Leasing business revenue	*1 2,196,062	*1 2,203,845
Other leasing business revenue	*1 510,392	*1 337,333
Total operating revenue	2,706,455	2,541,179
Operating expenses		
Expenses related to leasing business	*1 1,118,503	*1 969,223
Asset management fees	138,050	140,176
Asset custodian fees	3,667	3,654
Administrative service fees	11,097	11,372
Remuneration for director (and other officers)	2,700	2,700
Taxes and public dues	8,435	11,495
Other operating expenses	41,758	40,291
Total operating expenses	1,324,211	1,178,915
Operating income	1,382,243	1,362,264
Non-operating income		
Interest income	25	28
Gain on forfeiture of unclaimed dividends	-	1,171
Interest on tax refund	121	-
Total non-operating income	147	1,199
Non-operating expenses		
Interest expenses	82,282	82,003
Financing fees	29,678	85,494
Other	1,230	1,323
Total non-operating expenses	113,191	168,820
Ordinary income	1,269,199	1,194,644
Extraordinary income		
Compensation for damages received	-	666,000
Total extraordinary income	-	666,000
Income before income taxes	1,269,199	1,860,644
Income taxes-current	820	1,207
Income taxes-deferred	9	(18)
Total income taxes	829	1,189
Net income	1,268,369	1,859,454
Retained earnings bought forward	130	10
Unappropriated retained earnings (undisposed loss)	1,268,499	1,859,465

## (3) Statements of Unitholders' Equity

Previous fiscal period (From February 1, 2022 to July 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	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

Current fiscal period (From August 1, 2022 to January 31, 2023)

(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	1,268,499	1,268,499	39,375,708	39,375,708
Changes of items during the period					
Dividends from surplus	-	(1,268,489)	(1,268,489)	(1,268,489)	(1,268,489)
Net income	-	1,859,454	1,859,454	1,859,454	1,859,454
Total changes of items during the period	-	590,965	590,965	590,965	590,965
Balance at the end of the period	*1 38,107,208	1,859,465	1,859,465	39,966,674	39,966,674

## (4) Statements of Cash Dividend Distributions

(Unit: yen)

	Previous fiscal period From February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
I . Unappropriated retained earnings	1,268,499,888	1,859,465,760
II . Distributions	1,268,489,068	1,859,441,661
(Distributions per unit)	(3,604)	(5,283)
III . Retained earnings carried forward	10,820	24,099
How distributions were calculated	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. 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.	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. Based on this policy, ESON REIT has decided to distribute 1,859,441,661 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.

## (5) Statements of Cash Flows

(Unit: thousand yen)

	Previous fiscal period From February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	1,269,199	1,860,644
Depreciation	176,473	180,710
Interest income	(25)	(28)
Interest expenses	82,282	82,003
Compensation for damages received	-	(666,000)
Decrease (increase) in operating accounts receivable	(19,075)	8,907
Decrease (increase) in consumption taxes refund receivable	315,296	-
Decrease (increase) in prepared expenses	5,995	(10,847)
Decrease (increase) in long-term prepaid expenses	18,092	(54,209)
Increase (decrease) in operating accounts payable	349,202	(302,384)
Increase (decrease) in accounts payable - other	(50,288)	61,392
Increase (decrease) in accrued expenses	35,314	2,568
Increase (decrease) in accrued consumption taxes	88,948	(69,259)
Increase (decrease) in advances received	(7,974)	(671)
Others, net	(6,607)	(505)
Subtotal	2,256,832	1,092,321
Interest received	25	28
Interest paid	(81,379)	(82,760)
Compensation for damages received	-	666,000
Income taxes paid	(1,015)	(820)
Net cash provided by operating activities	2,174,463	1,674,768
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment in trust	(120,792)	(104,647)
Proceeds from tenant lease and guarantee deposits in the trusts	177,142	15,894
Refund of tenant lease and guarantee deposits in the trusts	(69,742)	(10,824)
Net cash used in investing activities	(13,392)	(99,577)
<b>Cash Flows from Financing Activities</b>		
Repayments of short-term borrowings	(354,000)	-
Proceeds from long-term borrowings	-	9,860,000
Repayments of long-term borrowings	-	(9,860,000)
Distributions paid	(1,262,673)	(1,269,195)
Net cash provided by (used in) financing activities	(1,616,673)	(1,269,195)
Net increase (decrease) in cash and cash equivalents	544,397	305,995
Cash and cash equivalents at the beginning of period	5,508,428	6,052,825
Cash and cash equivalents at the end of period	*1 6,052,825	*1 6,358,820

(6) Notes on Going Concern Assumptions  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation and amortization of non-current assets</p>	<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> <ul style="list-style-type: none"> <li>• Buildings 3 to 64 years</li> <li>• Structures 12 to 63 years</li> <li>• Furniture and fixtures 3 to 10 years</li> </ul> <p>(2) Intangible assets The straight-line method is used.</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>
<p>2. Accounting standards for revenues and expenses</p>	<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. There is no amount equivalent to Noncurrent taxes, etc. included in the acquisition costs for real estate, etc. in the previous fiscal period and the current fiscal period.</p>
<p>3. Scope of funds in the statements of cash flows</p>	<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>
<p>4. Other Items Forming the Basis for the Preparation of Financial Statements</p>	<p>(1) Accounting for trust beneficial interests in real estate as trust asset 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. 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> <p>i. Cash in trust and deposits in trust</p> <p>ii. Buildings in trust and structures in trust Tools, furniture and fixtures in trust and land in trust</p> <p>iii. Leasehold and guarantee deposits received in trust</p> <p>(2) Accounting for non-deductible consumption taxes Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p>



(8) Notes Concerning Significant Accounting Estimates

Impairment of non-current assets

1. Amount recorded in financial statements

(Unit: thousand yen)

	Previous fiscal period From February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Property, plant and equipment	69,742,547	69,667,355
Intangible assets	3,226	2,355
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.

(9) Notes to Financial Statements  
[Note to Balance Sheets]

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2022	Current fiscal period As of January 31, 2023
*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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
*1. Description of income from real estate leasing operations		
A. Real estate leasing business revenue		
Leasing business revenue		
Lease income	1,045,773	1,069,940
Land lease income received	824,893	824,893
Common service fees	122,315	122,088
Other lease income revenues	203,080	186,923
Total	2,196,062	2,203,845
Other leasing business revenues		
Utilities charges received	236,861	281,775
Other revenues	273,531	55,558
Total	510,392	337,333
Total real estate leasing business revenue	2,706,455	,541,179
B. Real estate leasing business expenses		
Expenses related to leasing business		
Administrative expenses	206,219	209,954
Trust fees	9,225	9,212
Utilities charges	241,940	303,222
Non-life insurance premiums	4,492	4,557
Repair expenses	240,434	35,425
Taxes and public dues	214,171	212,314
Depreciation	175,603	179,839
Other leasing business expenses	26,415	14,697
Total expenses related to leasing business	1,118,503	969,223
C. Income from real estate leasing business (A - B)	1,587,952	1,571,956

(Changes in presentation methods)

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

As a result, 250,068 thousand yen, which was included in “Restoration revenue” in the previous fiscal period, has been reclassified as “Other revenues”.

[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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Cash and deposits	2,628,014	2,852,651
Cash and deposits in trust	3,424,810	3,506,168
Cash and cash equivalents	6,052,825	6,358,820

[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 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 tenant lease and guarantee deposits in trusts 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 January 31, 2023 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 tenant leasehold and guarantee deposits in trusts 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	4,610,000	4,610,000	-
(2) Long-term borrowings	28,481,000	28,481,000	-
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 (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

Scheduled redemption of loans after the closing date (January 31, 2023)

(Unit: thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	4,610,000	2,386,000	10,684,000	7,559,000	7,852,000	-
Total	4,610,000	2,386,000	10,684,000	7,559,000	7,852,000	-

[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 July 31, 2022	Current fiscal period As of January 31, 2023
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	10	28
Total deferred tax assets	10	28
(Net deferred tax assets)	10	28

## 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 July 31, 2022	Current fiscal period As of January 31, 2023
Effective statutory tax rate	31.46	31.46
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.44)	(31.44)
Others	0.05	0.04
Burden rate of corporate taxes after applying tax effect accounting	0.07	0.06

### [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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Carrying value *1	Balance at the beginning of the period	69,790,294	69,742,547
	Changes during the period *2	(47,747)	(75,191)
	Balance at the end of the period	69,742,547	69,667,355
Fair value at the end of the period *3		73,077,400	73,026,700

\*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 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). The increase in the current fiscal period is mainly due to capital expenditures for 6 properties, including Yoshizuya Y Store Nishiharu etc. (104,647 thousand yen in total), while the decrease is mainly due to depreciation (179,839 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 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.

Current fiscal period (From August 1, 2022 to January 31, 2023)

(Unit: thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate, etc.	-	-
Utilities charges received *2	281,775	281,775
Other	-	2,259,404
Total	281,775	2,541,179

\*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 February 1, 2022 to July 31, 2022)

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

Current fiscal period (From August 1, 2022 to January 31, 2023)

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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Receivables from contracts with a customer (at the beginning of the period)	34,272	45,923
Receivables from contracts with a customer (at the end of the period)	45,923	41,492
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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Net assets per unit	111,873 yen	113,552 yen
Net income per unit	3,604 yen	5,283 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 February 1, 2022 to July 31, 2022	Current fiscal period From August 1, 2022 to January 31, 2023
Net income	(thousand yen)	1,268,369	1,859,454
Amount not attributable to common unitholders	(thousand yen)	-	-
Net income for common investment units	(thousand yen)	1,268,369	1,859,454
Average number of investment units during the period	(Units)	351,967	351,967

[Notes to Significant Subsequent Events]

Not applicable.

(Disclosure Omissions)

Disclosure of notes regarding lease transactions is omitted because such disclosure in the financial report is not considered to be significant.

(10) 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 January 31, 2023, 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	
February 12, 2019	Capital increase through public offering	188,351	237,000	18,319,583	22,941,238	*1
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236,472	28,177,710	*2
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261,871	28,439,581	*3
August 2, 2021	Capital increase through public offering	65,700	348,682	9,207,263	37,646,845	*4
August 24, 2021	Capital increase through third-party allotment	3,285	351,967	460,363	38,107,208	*5

\*1. 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.

\*2. 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.

\*3. 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.

\*4. 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.

\*5. 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	11th fiscal period As of July 31, 2022		12th fiscal period As of January 31, 2023	
		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	6	0.0
Total real estate		6	0.0	6	0.0
Real estate in trust	Tokyo metropolitan area	7,771	10.2	7,757	10.2
	Kinki metropolitan area	34,360	45.2	34,319	45.0
	Chukyo metropolitan area	5,053	6.6	5,062	6.6
	Fukuoka metropolitan area	10,537	13.9	10,537	13.8
	Other area	12,012	15.8	11,984	15.7
Total real estate in trust		69,735	91.7	69,660	91.3
Deposits and other assets		6,271	8.3	6,633	8.7
Total assets		76,014	100.0	76,300	100.0

	Amount (million yen)	Ratio to total assets (%) *2	Amount (million yen)	Ratio to total assets (%) *2
Total liabilities	36,638	48.2	36,333	47.6
Total net assets	39,375	51.8	39,966	52.4

\*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 January 31, 2023)

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	3,190	3,310	The Tanizawa Sogo Appraisal Co., Ltd.
					298	
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	451	453	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	409	JLL Morii Valuation & Advisory KK
KT-1	tonarie Minami-senri	Suita City, Osaka Prefecture	7,200	7,230	8,060	The Tanizawa Sogo Appraisal Co., Ltd.
KT-2	tonarie Seiwadai	Kawanishi City, Hyogo Prefecture	3,290	3,187	3,390	Daiwa Real Estate Appraisal Co., Ltd.
KT-3	tonarie Yamatotakada (ownership 50%)	Yamatotakada City, Nara Prefecture	4,150	4,084	4,035	JLL Morii Valuation & Advisory KK
KT-4	tonarie Toga・Mikita	Sakai City, Osaka Prefecture	6,986	6,898	7,060	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	1,540	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 Prefecture	530	535	531	The Tanizawa Sogo Appraisal Co., Ltd.

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	4,585	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	3,940	The Tanizawa Sogo Appraisal Co., Ltd.
FS-2	UNIQLO Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	595	601	672	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	182	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	264	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	3,440	The Tanizawa Sogo Appraisal Co., Ltd.
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	1,487	1,506	1,860	The Tanizawa Sogo Appraisal Co., Ltd.
OT-1	SUROY MALL Nagamine	Kumamoto City, Kumamoto Prefecture	4,600	4,609	4,620	JLL Morii Valuation & Advisory KK
OT-2	Fuji Grand Natalie	Hatsukaichi City, Hiroshima Prefecture	3,950	3,928	4,120	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 (Leasehold land)	Sapporo City, Hokkaido Prefecture	1,300	1,310	1,330	The Tanizawa Sogo Appraisal Co., Ltd.
	Total		69,604	69,667	73,026	

- \*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. The book value of Yoshizuya Y Store Nishiharu includes the book value of auxiliary facilities associated with the commercial facility.

b. Overview of lease

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

(As of January 31, 2023)

Property number	Property name	Total number of tenants *1	Leasable area (m <sup>2</sup> ) *2	Leased area (m <sup>2</sup> ) *2	Occupancy rate (%) *2 *3	Real estate leasing business revenue (million yen) *4	Ratio to total rent revenue (%)
ST-1	Asumigaoka Brand-New Mall	32	22,516.59	22,489.85	99.9	278	11.0
	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	21	0.8
SS-1	K's Denki Oyumino (Leasehold land)	1	23,379.50	23,379.50	100.0	70	2.8
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	47	7,598.31	7,598.31	100.0	354	13.9
KT-2	tonarie Seiwadai	33	8,798.01	8,798.01	100.0	198	7.8
KT-3	tonarie Yamatotakada (Ownership 50%)	66	14,414.67	14,295.13	99.2	182	7.2
KT-4	tonarie Toga・Mikita	32	8,471.24	8,471.24	100.0	265	10.5
KS-1	LAMU Kitatsumori (Leasehold land)	1	11,677.03	11,677.03	100.0	41	1.6
KS-2	K's Denki Nishi-kobe (Leasehold land)	1	9,787.68	9,787.68	100.0	62	2.4
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	2.8
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	56	26,432.58	26,397.85	99.9	115	4.5
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	3.3
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	0.2
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	0.3
FS-8	One-Karubi Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
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	1.5
OT-1	SUROY MALL Nagamine	26	12,622.98	12,622.98	100.0	178	7.0
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	329	402,106.69	401,925.68	100.0	2,541	100.0

\*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 January 31, 2023, 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. "Leased area" is the total leased area indicated in each lease agreement as of the closing date. 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. However, for "Fuji Grand Natalie," which has a lease agreement with Fuji Corporation, the "leased area" of the lease agreement. The area is rounded off to the second decimal place, respectively. 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 and rounded off to the nearest first decimal place.

Occupancy rate = Leased area / Leasable area \*100

Yoshizuya Y Store Nishiharu consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased area in the table above includes the 4,485.14m<sup>2</sup> leased area on the third floor, which was vacant as of the end of the fiscal period.

Regarding the third floor, a fixed rent per tsubo will be added according to the contracted floor area as tenants move in, but taking into account the fact that the floor is vacant, the occupancy rate after deducting the leased area of the third floor is 82.9%. The overall occupancy rate after taking this into account would be 98.8%.

\*4. The real estate leasing 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.

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

c. Summary of Appraisals, etc.

The following is a summary of the real estate appraisal reports on owned assets, which the Asset Manager entrusted to The Tanizawa Sogo Appraisal Co., Ltd, JLL Morii Valuation & Advisory K.K., and DAIWA Real Estate Appraisal Co., Ltd. The appraisal reports represent the judgment and opinion of the appraiser as of a specific point in time and they do not guarantee the validity, accuracy, or the possibility of trading a property at its appraised value. Furthermore, these appraisers have no special interest relationship with ESCON REIT or the Asset Manager.

Property number	Property type	Property name	Appraiser	Appraisal value (million yen) *1	Estimated value (million yen)	Value based on Direct Capitalization Method (million yen)	Cap rate (%)	Value based on DCF Method	Discount rate (%)	Terminal cap rate (%)
ST-1	Commercial facilities	Asumigaoka Brand-New Mall	The Tanizawa Sogo Appraisal Co., Ltd.	3,310	3,080	3,260	4.9	3,330	5.0	5.1
		Asumigaoka Brand-New Mall (Leasehold land) *2		(1)150 (2)148	-	-	-	(1)150 (2)148	(1) 4.4 (2) untill 3FY: 4.2 (2) from 4FY: 4.3	-
ST-2	Commercial facilities	Nishi-shiroi Ekimae Plaza	Daiwa Real Estate Appraisal Co., Ltd.	468	332	472	5.3	466	5.1	5.5
SS-1	Commercial facilities	K's Denki Oyumino (Leasehold land)	JLL Morii Valuation & Advisory KK	2,880	-	-	-	2,880	4.7	-
SS-2	Commercial facilities	Nitori Tsuchiura (Leasehold land)	JLL Morii Valuation & Advisory KK	1,090	-	-	-	1,090	5.3	-
SS-3	Commercial facilities	Nitori Imaichi (Leasehold land)	JLL Morii Valuation & Advisory KK	409	-	-	-	409	5.6	-
KT-1	Commercial facilities	tonarie Minami-senri	The Tanizawa Sogo Appraisal Co., Ltd.	8,060	8,430	8,050	4.4	8,060	4.5	4.6
KT-2	Commercial facilities	tonarie Seiwadai	Daiwa Real Estate Appraisal Co., Ltd.	3,390	2,370	3,410	5.4	3,380	5.2	5.6
KT-3	Commercial facilities	tonarie Yamatotakada (ownership 50%) *3	JLL Morii Valuation & Advisory KK	4,035	3,595	4,085	4.9	3,980	4.7	5.1
KT-4	Commercial facilities	tonarie Toga・Mikita	Daiwa Real Estate Appraisal Co., Ltd.	7,060	4,340	7,100	4.6	7,040	4.4	4.8
KS-1	Commercial facilities	LAMU Kitatsumori (Leasehold land)	JLL Morii Valuation & Advisory KK	1,480	-	-	-	1,480	4.3	-
KS-2	Commercial facilities	K's Denki Nishikobe (Leasehold land)	JLL Morii Valuation & Advisory KK	2,470	-	-	-	2,470	4.6	-
KS-3	Commercial facilities	Sanyo Marunaka Mitani (Leasehold land)	JLL Morii Valuation & Advisory KK	1,540	-	-	-	1,540	4.6	-
KS-4	Commercial facilities	Tsutaya Sakai-minami (Leasehold land)	JLL Morii Valuation & Advisory KK	1,030	-	-	-	1,030	4.5	-
KS-5	Commercial facilities	LIFE Daisen (Leasehold land)	Daiwa Real Estate Appraisal Co., Ltd.	3,060	-	-	-	3,060	4.3	-
KS-6	Commercial facilities	TRIAL Omihachiman (Leasehold land)	JLL Morii Valuation & Advisory KK	1,100	-	-	-	1,100	4.6	-
KS-7	Commercial facilities	Kusuri no Aoki Ikaruga (Leasehold land) *4	JLL Morii Valuation & Advisory KK	(1)702 (2)28	-	-	-	(1)702 (2)28	5.2	-
KS-8	Commercial facilities	DRUG Yutaka Mukokamiueno (Leasehold land)	JLL Morii Valuation & Advisory KK	477	-	-	-	477	4.4	-
KS-9	Commercial facilities	WELCIA Amagasaki Mukomotomachi (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	577	-	-	-	577	untill 7FY: 4.0 from 8FY: 4.1	-

KS-10	Commercial facilities	Cocokara Fine Neyagawakoen (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	717	-	-	-	717	until 5FY: 4.1 from 6FY: 4.2	-
KS-11	Commercial facilities	ENEOS Ikawadani SS (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	531	-	-	-	531	until 7FY: 4.2 from 8FY: 4.3	-
KS-12	Commercial facilities	GEO Hikone Takamiya (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	306	-	-	-	306	until 1month: 4.2 from 2month: 4.3	-
TT-1	Commercial facilities	Yoshizuya Y Store Nishiharu	Daiwa Real Estate Appraisal Co., Ltd.	2,330	5,490	2,340	5.0	2,320	4.8	5.2
TS-1	Commercial facilities	MaxValu Kikyogaoka-higashi (Leasehold land)	JLL Morii Valuation & Advisory KK	541	-	-	-	541	5.6	-
FS-1	Commercial facilities	MrMAX Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	3,940	-	-	-	3,940	4.5	-
FS-2	Commercial facilities	UNIQLO Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	672	-	-	-	672	4.6	-
FS-3	Commercial facilities	Avail.Shimamura Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,110	-	-	-	1,110	4.6	-
FS-4	Commercial facilities	au-Softbank Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	160	-	-	-	160	4.6	-
FS-5	Commercial facilities	Kura Sushi Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	304	-	-	-	304	4.6	-
FS-6	Commercial facilities	docomo Shop Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	182	-	-	-	182	4.6	-
FS-7	Commercial facilities	Konpira Maru Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	265	-	-	-	265	4.6	-
FS-8	Commercial facilities	One-Karubi Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	264	-	-	-	264	4.6	-
FS-9	Commercial facilities	Suke-san Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	420	-	-	-	420	4.6	-
FS-10	Commercial facilities	NAFCO Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	3,440	-	-	-	3,440	4.5	-
FS-11	Commercial facilities	K's Denki Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,860	-	-	-	1,860	4.5	-
OT-1	Commercial facilities	SUROY MALL Nagamine	JLL Morii Valuation & Advisory KK	4,620	4,720	4,700	5.2	4,530	5.0	5.4
OT-2	Commercial facilities	Fuji Grand Natalie	Daiwa Real Estate Appraisal Co., Ltd.	4,120	5,650	4,090	5.1	4,130	4.9	5.3
OS-1	Commercial facilities	K's Denki Kurashiki (Leasehold land)	JLL Morii Valuation & Advisory KK	2,450	-	-	-	2,450	4.6	-
OS-2	Commercial facilities	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,330	-	-	-	1,330	4.4	-
Total				73,026	-	-	-	72,869	-	-

\*1. The date of "appraisal value" in each case is January 31, 2023. The "appraisal value" is the amount indicated in the appraisal report, rounded down to the nearest million yen. Consequently, the total of the "appraisal value" may not equal the overall total.

\*2. Regarding the "appraisal value", "value based on DCF method", and the "discount rate" of Asumigaoka Brand-New Mall (Leasehold land), the amounts for the two pieces of leasehold land are shown separately in (1) and (2).

\*3. Regarding tonarie Yamatotakada, given that the asset held consists of 50% quasi co-ownership of the trust beneficiary rights, the "appraisal value", "estimated value", "value based on direct capitalization method", and the "value based on DCF method" are the amounts calculated based on the quasi co-ownership interest ratio.

\*4. The Property has fixed-term business-use land lease agreements. with two lessees, Kusuri no Aoki Co., Ltd., and Ikaritombo Co., Ltd, and "Appraisal value" and "Value based on DCF method" show the portion pertaining to Kusuri no Aoki Co., Ltd. as (1) and the portion pertaining to Ikaritombo Co., Ltd. as (2).

(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 January 31, 2023 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 March, 2023 to October, 2023	89	-	-

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 January 31, 2023.