

16th Financial Results

for the Fiscal Period Ended January 31, 2025



ES CON JAPAN REIT Investment Corporation

Securities Code: 2971

<https://www.escon-reit.jp/>

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1. Financial Highlights

Earnings Result 16th Fiscal Period

Operating income was significantly increased due to an increase in lease revenue from tonarie Minami-senri and an improvement in NOI accompanying the asset replacement carried out in the 15th FP. It more than offset the refinancing costs incurred at the end of the 16th FP and the increase in interest expenses, and consequently, net income also increased.

DPU was JPY 3,474, JPY 194 higher than the previous forecast (as of September 13, 2024)

- **Distributions per unit (DPU) JPY 3,474** *up JPY 194 from previous forecast*
- **Occupancy rate* 99.7%** *stable since listing*
- **NAV per unit JPY 134,439** *up 3.1% from the previous fiscal period*

DPU Forecast 17th and 18th Fiscal Period

The DPU for the 17th FP is expected to be up JPY 12 from the previous FP, and the DPU for the 18th FP is expected to be up JPY 24 from the previous FP.

- 17th FP (FY7/25) forecast : **DPU JPY 3,486** *up JPY 12 from previous actual*
- 18th FP (FY1/26) forecast : **DPU JPY 3,510** *up JPY 24 from 17th FP forecast*

Roadmap (Progress made in the “2nd Phase”) (Initiatives on “the 3rd Phase”)

Progress made in the “1st Phase” and the “2nd Phase”

- **[Strengthen Governance System]** The process of the asset replacement in the 15th FP and other matters were verified together with external experts. As a result, it was confirmed that there was no major issue with our system for managing conflicts of interest, and the preventive measures worked effectively.
- **[External Growth]** The assets acquired in the 15th FP were in stable operation and contributed to the increase in revenue. Active efforts to enhance sourcing led to the new acquisition of Kohnan tonarie Yamatotakada (leasehold land).
- **[Internal Growth]** The rent was significantly increased, and renovation works were carried out at tonarie Minami-senri. Measures were steadily implemented to reduce costs and increase facility user satisfaction.
- **[Financial Strategy]** With the reifinancing conducted at the end of January 2025, rate of interest expenses on the entire amount of the refinancing was fixed, and a new bank was invited to enhance the lender formation.

Policy for the initiatives for the “3rd Phase”

- **Given the changes in the current situation surrounding ESCON REIT and issues ESCON REIT faces, the course of the policy for the 3rd Phase was adjusted. Rather than aiming solely for early expansion of its asset size, ESCON REIT will consider effective measures primarily based on asset replacement strategies.**

Kohnan tonarie Yamatotakada (leasehold land)

Commercial facilities
(leasehold land)

Kinki region

Leasehold land for commercial use that is adjacent to tonarie Yamatotakada, which ESCON REIT owns

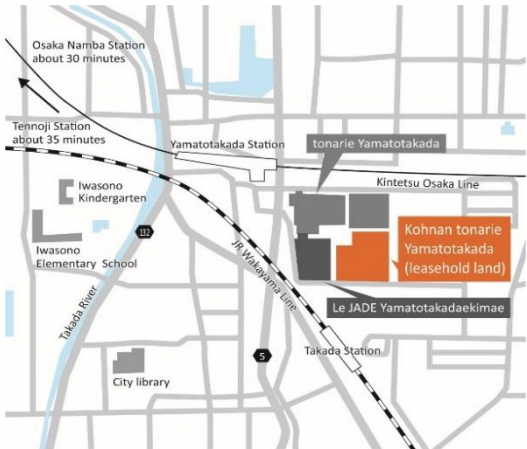
- The surrounding area has been redeveloped by the sponsor ES-CON JAPAN as a zone including tonarie Yamatotakada and a condominium (Le JADE Yamatotakada-ekimae) and forms a creative block
- The tenant is KOHNAN SHOJI Co., Ltd. Store name: Kohnan tonarie Yamatotakada (Scheduled to open in April 2025)

Scheduled acquisition price*1
JPY **1,145** million

Appraisal value*2
JPY **1,170** million

Appraisal NOI yield*3
3.8%

Scheduled Seller
ES-CON JAPAN Ltd.



Type of specified asset	Real Estate trust beneficial interest
Location	Yamatotakada City, Nara
Site area	8,066.07㎡
Scheduled acquisition date	April 1, 2025
Tenants	1
Occupancy rate	100.0%
Information source	Sponsor
Appraiser	JLL Morii Valuation & Advisory K.K.

Reason for the Acquisition

To embody ESCON REIT’s vision concept: creating the ideal “town” and “community” that is loved and the pride of residents

- The land is next to tonarie Yamatotakada. Owning both of them is expected to enhance the asset value of the entire area.
 - The tenant of the asset to be acquired is in the home center industry. The addition of a new industry is **expected to increase the drawing power as a commercial complex.**
 - By sharing the parking lots at both facilities, visiting customers will be able to shop back and forth across both facilities, **resulting in larger sales at tonarie Yamatotakada and greater foot traffic throughout the area.**
- Formulation of flexible value-enhancement plans for the entire area including tonarie Yamatotakada will be made possible, and future redevelopment options will be made available.
- An effort is being made toward embodiment of the vision concept, taking advantage of the timing when tonarie Yamatotakada became solely owned by ESCON REIT in the 15th FP.

2. Earnings Results

Earnings Results vs. previous period

Despite the absence of factors, such as gain or loss on sales of real estate properties resulting from the asset replacement carried out in the previous period, operating income significantly increased primarily due to an increase in lease revenue from tonarie Minami-senri and an improvement in NOI accompanying the asset replacement. It more than offset the refinancing expenses incurred at the end of the 16th FP and the increase in interest expenses due to the rise in the base interest rate. Consequently, net income also increased, resulting in a DPU of JPY 3,474, up JPY 232 from the previous period.

16th - January 2025 Fiscal Period vs. previous period

(JPY million)

	15th Jul. 2024 FP Actual (a)	16th Jan. 2025 FP Actual (b)	vs. previous period (b-a)
Operating revenue	3,049	2,794	-254
Operating income	1,312	1,439	126
Ordinary income	1,170	1,253	83
Net income	1,169	1,252	83
DPU	JPY 3,242	JPY 3,474	JPY 232
Depreciation	201	209	8
NOI after depreciation	1,513	1,653	140
NOI yield after depreciation	4.3%	4.7%	35bp ^{*1}
FFO ^{*2}	1,342	1,462	120
Number of operating days	182 days	184 days	2 days

Main Change Factors of Net Income vs. previous period

(JPY million)

Change factors		Changes of items	Total
Operating revenue	• Absence of gain on sales of real estate properties resulting from the asset replacement (Net with the loss on sales of real estate properties)	-563.5 (-28.1)	-254.9
	• Increase in leasing business revenue due to asset replacement (Net with the leasing business expenses)	+159.8 (+79.2)	
	• Absence of gain on receipt of donated buildings due to the acquisition without consideration of the buildings on the "Asumigaoka Brand-New Mall"	-6.9	
	• Increase in lease revenue from tonarie Minami-senri	+105.9	
	• Increase in utility income (except for utility income from replaced properties)	+38.1	
	• Increase or decrease in various leasing business revenues	+11.7	
Operating expenses	• Absence of loss on sales of real estate properties resulting from the asset replacement	+535.4	+381.4
	• Increase in leasing business expenses due to asset replacement	-80.6	
	• Increase in LM rewards for tonarie Minami-senri	-34.9	
	• Increase in utility cost (except for replaced assets) (Balance of utility charges (Net))	-35.3 (+2.8)	
	• Increase in various operating expenses	-3.2	
Non-operating income/ expenses, etc.	• Increase in interest expenses due to a rise in the base interest rate	-37.8	-42.8
	• Refinancing costs at the end of the 16th FP	-11.9	
	• Absence of expenses related to capital increase, etc.	+6.9	
Total			+83.6

Thanks to the receipts of settlement payments for the assets acquired through the asset replacement carried out in the previous FP, as well as improved profitability of utility charges received and reductions in repair expenses and administrative expenses, the DPU was JPY 3,474, JPY 194 higher than the previous forecast.

16th - January 2025 Fiscal Period vs. forecasts

(JPY million)

	16th Forecasts as of Sep. 13, 2024 (a)	16th Jan 2025 FP Actual (b)	vs. forecasts (b-a)
Operating revenue	2,803	2,794	-9
Operating income	1,376	1,439	63
Ordinary income	1,184	1,253	69
Net income	1,183	1,252	69
DPU	JPY 3,280	JPY 3,474	JPY 194
Depreciation	210	209	-0
NOI after depreciation	1,601	1,653	52
NOI yield after depreciation	4.5%	4.7%	15bp
FFO	1,393	1,462	69
Number of operating days	184 days	184 days	0 day

Main Change Factors of Net Income vs. forecasts

(JPY million)

Change factors		Changes of items	Total
Operating revenue	• Receipts of settlement payments for the assets acquired through asset replacement	+11.0	-9.0
	• Downside of utility income	-26.7	
	• Receipts of insurance payments	+3.8	
	• Increase or decrease in various leasing business revenues	+2.9	
Operating expenses	• Downside of utility expenses (Balance of utility charges (Net))	+37.8 (+11.1)	+72.1
	• Reductions in repair expenses	+21.6	
	• Increase or decrease in various leasing business expenses	+1.7	
	• Reductions in administrative expenses	+11.0	
Non-operating income/expenses, etc.	• Decrease in interest expenses due to a decline in the base interest rate	+3.8	+6.6
	• Recognition of gain on forfeiture of unclaimed distributions, etc.	+2.8	
Total			+69.8

3. Earnings Forecasts

Earnings Forecasts, 17th - July 2025 FP

DPU forecast: JPY 3,486, exceeding the previous period though falling short of the previous forecast

The latest forecast assumes an increase in interest expenses due to an increase in the base interest rate (variable), as well as contribution of the increase in lease revenue from tonarie Minami-senri to the full FP results and factors associated with newly acquired properties.

17th - July 2025 Fiscal Period Forecasts

(JPY million)

	16th Jan. 2025 FP Actual (a)	17th Forecasts as of Sep. 13, 2024 (b)	17th Forecasts as of Mar. 17, 2025 (c)	vs. previous period (c-a)	vs. previous forecasts (c-b)
Operating revenue	2,794	3,005	2,993	199	-11
Operating income	1,439	1,516	1,526	87	9
Ordinary income	1,253	1,299	1,258	4	-40
Net income	1,252	1,298	1,257	4	-40
DPU	JPY 3,474	JPY 3,600	JPY 3,486	JPY 12	JPY -114
Depreciation	209	216	216	6	-0
NOI after depreciation	1,653	1,798	1,802	148	3
NOI yield after depreciation	4.7%	5.2%	5.1%	42bp	-7bp
FFO	1,462	1,515	1,474	11	-41
Number of operating days	184 days	181 days	181 days	-3 days	0 day

Main Change Factors of Net Income vs. previous period

(JPY million)

Change factors		Changes of items	Total
Operating revenue	• Increase in lease revenue from tonarie Minami-senri.	+214.0	+199.3
	• Absence of receipts of settlement payments and insurance payment in the previous period	-14.8	
	• Decrease in utility income	-6.4	
	• Land lease revenue from a newly acquired property (for three months)	+12.6	
	• Increase or decrease in various leasing business revenues	-6.1	
Operating expenses	• Reopening expenses for tonarie Minami-senri	-5.0	-111.8
	• Land property tax on properties acquired in the 15th FP	-23.0	
	• Increase in repair expenses	-30.4	
	• Increase in utility cost (Balance of utility charges (Net))	-4.3 (-10.8)	
	• Increase in management fees	-50.6	
Non-operating income/ expenses, etc.	• Increase or decrease in various expenses	+1.5	-83.0
	• Increase in interest expenses due to a rise in the base interest rate and a new borrowing (JPY 1,160 mil.), etc.	-64.2	
	• Increase in financing-related expenses due to refinancing and a new borrowing (JPY 1,160 mil.), etc.	-18.8	
Total			+4.4

Main Change Factors of Net Income vs. initial forecasts

(JPY million)

Change factors		Changes of items	Total
Operating revenue	• Land lease revenue from a newly acquired property (for three months)	+12.6	-11.4
	• Decrease in lease revenue due to move-outs of tenants, etc.	-11.9	
	• Downside of utility income	-12.1	
Operating expenses	• Reductions in repair expenses	+10.9	+21.2
	• Reduction of various expenses etc.	+10.3	
Non-operating income/ expenses, etc.	• Increase in interest expenses and financing-related expenses due to a rise in the base interest rate and a new borrowing (JPY 1,160 mil.) etc.	-50.7	-50.7
Total			-40.9

DPU forecast: JPY 3,510 to remain on an upward trend

Contribution of the land lease revenue from a newly acquired property to the full FP results and improved profitability of utility charges received, among other factors, will more than offset the increase in borrowing-related expenses due to a rise in the base interest rate and new borrowing, refinancing.

18th - January 2026 Fiscal Period Forecasts

(JPY million)

	17th Forecasts as of Mar. 17, 2025 (a)	18th Forecasts as of Mar. 17, 2025 (b)	vs. previous period forecasts (b-a)
Operating revenue	2,993	3,064	70
Operating income	1,526	1,571	44
Ordinary income	1,258	1,266	8
Net income	1,257	1,265	8
DPU	JPY 3,486	JPY 3,510	JPY 24
Depreciation	216	221	4
NOI after depreciation	1,802	1,858	56
NOI yield after depreciation	5.1%	5.2%	7bp
FFO	1,474	1,487	12
Number of operating days	181 days	184 days	3 days

Main Change Factors of Net Income vs. previous period forecasts

(JPY million)

Change factors		Changes of items	Total
Operating revenue	• Land lease revenue from a newly acquired property	+12.6	+70.3
	• Increase in utility income	+43.7	
	• Increase in various leasing business revenues due to new tenants and percentage rents, etc.	+14.0	
Operating expenses	• Absence of reopening expenses for tonarie Minami-senri	+5.0	-25.6
	• Increase in depreciation	-4.4	
	• Decrease in repair expenses	+17.2	
	• Increase in utility cost (Balance of utility charges (Net))	-32.1 (+11.5)	
	• Expenses for holding a general meeting of unitholders	-9.0	
	• Increase or decrease in various expenses	-2.3	
Non-operating income/ expenses, etc.	• Increase in interest expenses due to a rise in the base interest rate and a new borrowing (JPY 1,160 mil.), etc.	-26.4	-36.1
	• Increase in refinancing costs	-14.1	
	• Increase in interest on ordinary deposits, increase or decrease in various expenses	+4.4	
Total			+8.5

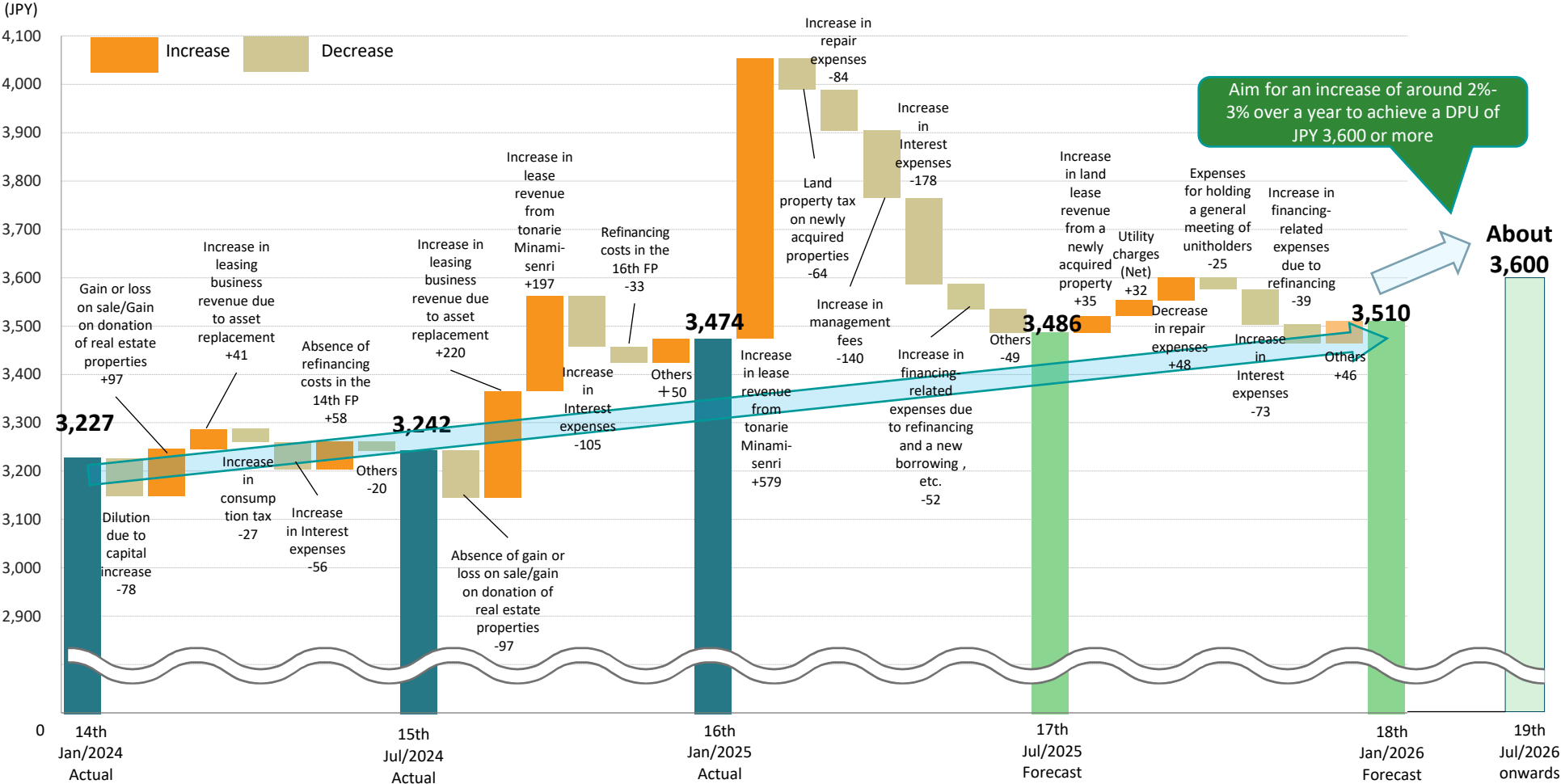
Factors of Change in Distribution per unit

15th to 18th : Borrowing-related expenses increased significantly due to interest rate hikes and a new borrowing. However, owing to property replacement, an increase in lease revenue from tonarie Minami-senri, and the acquisition of Kohnan tonarie Yamatotakada (leasehold land), the DPU remained on an upward trend (The average annual increase rate was 4.4% over two years.).

Roadmap
(Phase II and III)

From the 19th FP onward, ESCON REIT will implement various measures in the 3rd Phase and aim to achieve a DPU of JPY 3,600 or more early.

Main Change Factors of Distribution per unit



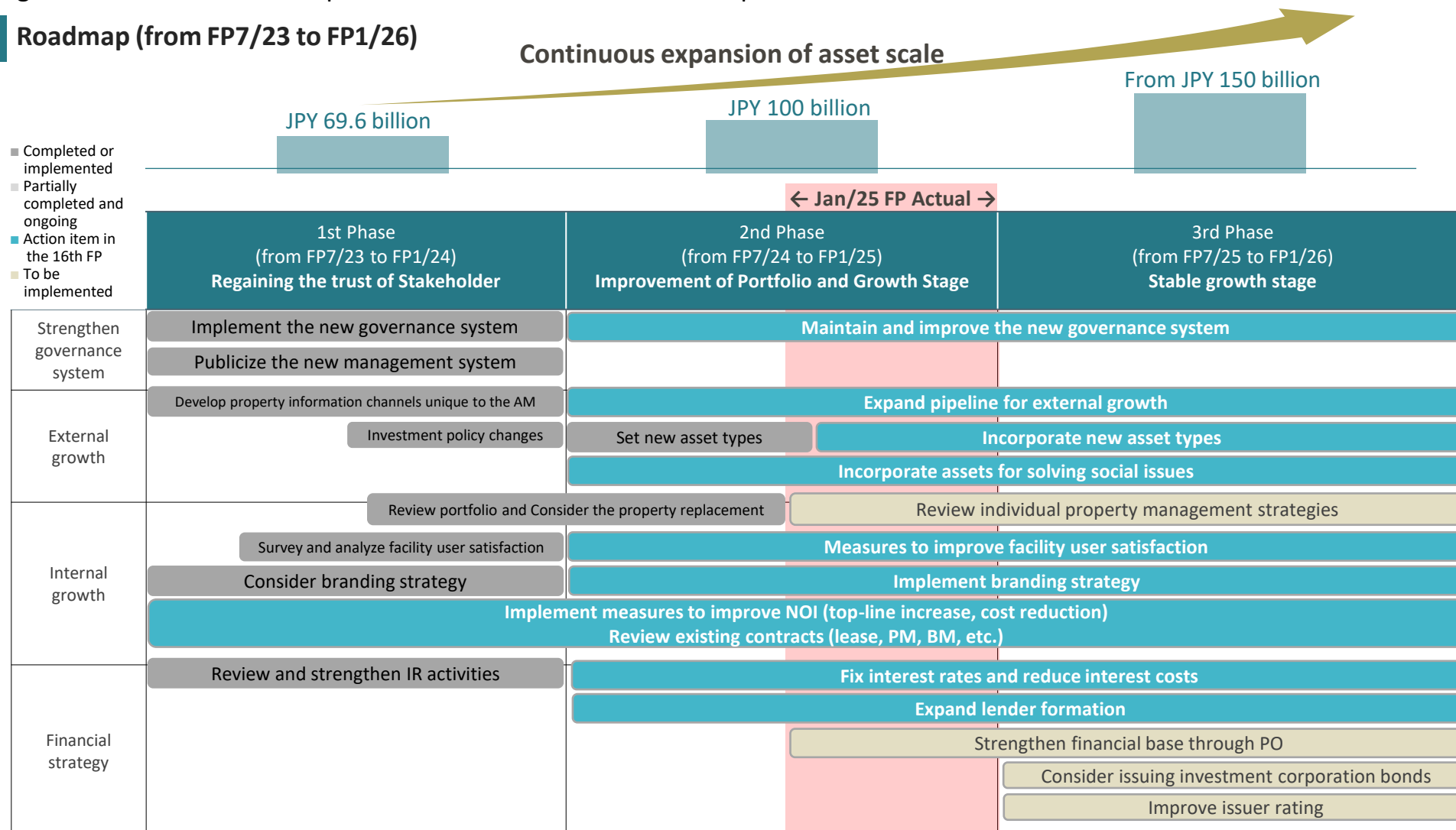
4. Progress of our Roadmap (the “1st Phase” and the “2nd Phase”)

Vision

Aim to contribute to the revitalization of local communities and the development of social infrastructure through the expansion of our portfolio throughout Japan by investing in lifestyle-focused assets such as the “tonarie,” while targeting growth with continuous expansion of asset scale and stable improvement of distributions.

Roadmap (from FP7/23 to FP1/26)

Continuous expansion of asset scale



Strengthen Governance System

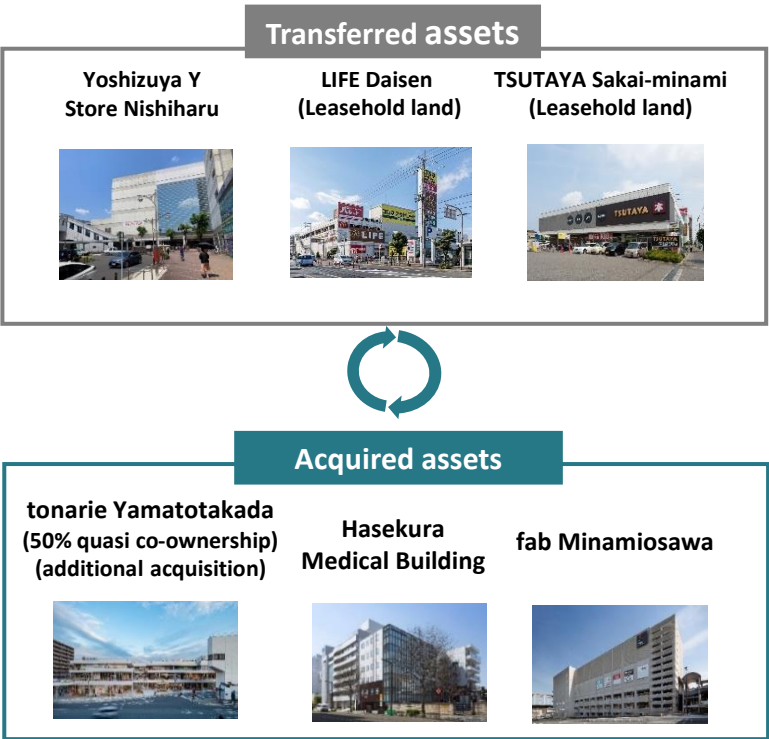
● Verification of business processes of property acquisitions and transfers and efforts for improvement

Under the new governance structure, in June 2024, three properties were acquired, and three properties were transferred (including interested party transactions). Subsequently, ESCON REIT conducted verification of the actual business processes related to the acquisitions and transfers together with external experts, who also provided recommendations.



- ◎ It was confirmed that there was no major issue with our system for managing conflicts of interest, and the preventive measures worked effectively.
- ◎ Implemented various improvement measures, such as revisions to regulations and manuals, for the matters recommended for improvement to further enhance the management system.

• Overview of the transferred assets and the acquired assets



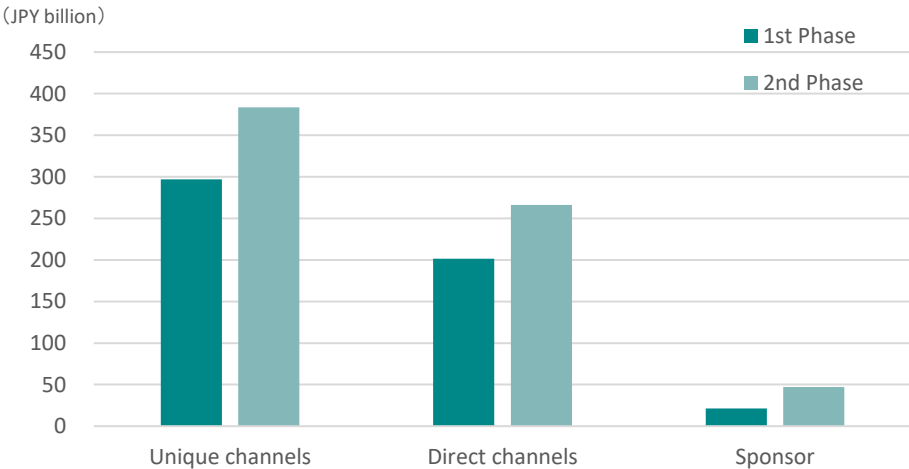
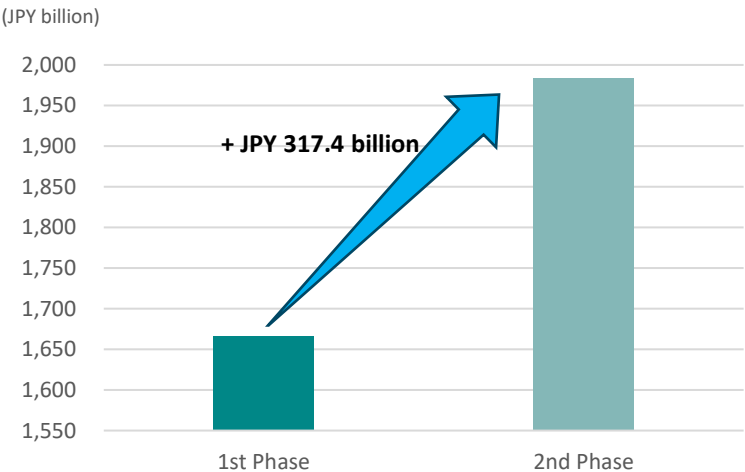
• Verifivation Process

- (1) March 2024: Begin real-time monitoring of transactions by internal audit
- (2) May 2024: Prepare for verification of business processes by external experts
- (3) June 2024: Selling and acquiring properties in accordance with the Interested Party Transaction Rules
- (4) July 2024: Internal review of transactions in the Asset Manager
- (5) July 2024: Started verification of business processes by outside experts
- (6) November 2024: End of verification
- (7) January 2025: Implement various improvement measures based on the verification results

External Growth

Strengthen sourcing capabilities by adding staff and developing unique channels

- Strengthened sourcing capabilities by adding staff to the Investment Marketing Department. The total value of properties of which information was collected increased by JPY 317.4 billion (approx. 20%) from the 1st Phase to the 2nd Phase.
- Made an effort to collect high-quality information by utilizing sponsor pipelines in compliance with rules while also actively developing channels unique to the asset manager and direct channels from sellers.
- Total value of the properties of which information was collected
- Value of the properties of which information was collected through unique channels, etc.



Improve the portfolio and increase the size of high-quality assets by asset replacement

- Conducted assets replacement in which ESCON REIT transferred assets that posed a risk of presenting adverse effects in the future and acquired assets with NOI higher than that of the transferred assets (refer p. 14). As a result, ESCON REIT improved the portfolio and increased the size of high quality assets whose value is expected to increase (The acquired assets totaled approx. JPY 10.2 billion, including Kohnan tonarie Yamatotakada (leasehold land).).
- Incorporate new asset types
- ESCON REIT acquired Hasekura Medical Building in Sendai City, which is the first "asset that contributes to the realization of a sustainable society" for ESCON REIT.

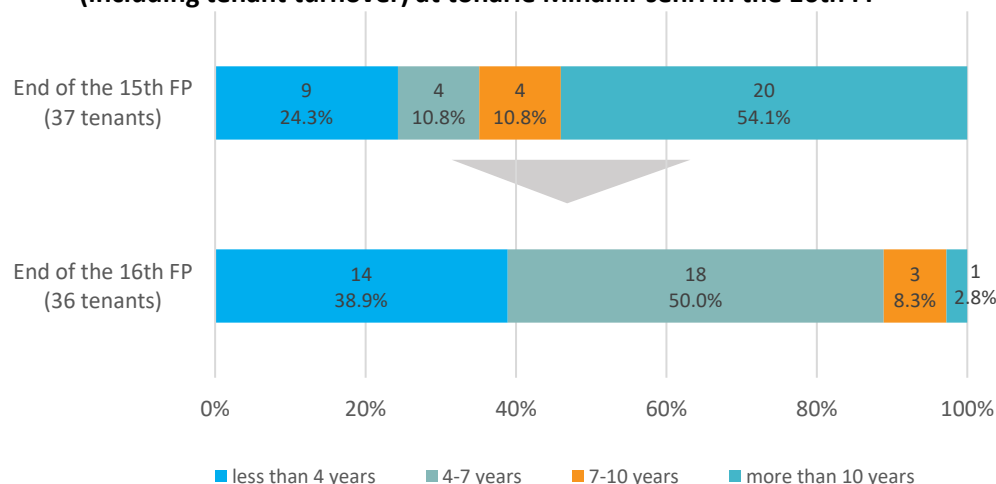
Internal Growth -1

Initiatives on the increases in rents

- ESCON REIT promoted increases in rents and growth in sales in entire facilities through negotiations at the time of re-contracting, replacements of existing tenants with high-quality tenants, and active holding of events. In addition, by shortening terms of lease contracts, ESCON REIT secured more opportunities to increase rents in the future.
- Status of contract renewals (including tenant turnover) at major properties in the 16th FP^{*1}**

	Up for renewals	Rent increases	Rent declines	No changes	Move-outs	Increase in monthly rents
tonarie Minami-senri	38	31	-	6	1	JPY 53,554 thousand
tonarie Yamatotakada	34	21	-	9	4	JPY -892 thousand
tonarie Seiwadai	7	6	-	1	-	JPY 2,020 thousand

- Changes in contract terms for tenants who renewed lease contracts (including tenant turnover) at tonarie Minami-senri in the 16th FP^{*2}**



Measures for increases in expenses for leasehold land

- At leasehold land properties, the increase in land property tax has become an issue as revenue is generated from fixed rents. ESCON REIT therefore negotiated for revisions to rents in line with the increase in land property tax. As a result, rents were raised at two properties in the 16th FP. ESCON REIT is continuing negotiations for other properties as well.

Increase in land property tax since acquisition (a total for two properties)
JPY 2,360 thousand/year



Increase in rents due to the revisions to rents made in the 16th FP (total for two properties)
JPY 2,599 thousand/year

Initiatives on cost reduction

- At fab Minamiosawa, ESCON REIT replaced lightings in the common areas with LEDs with the aim of reducing heating and lighting expenses and CO₂ emissions by decreasing electricity consumption.

Expected effects of adopting LEDs	
Electricity consumption	77.1% Reduction (Expected reduction of electricity consumption : 152,190kWh/year)
CO ₂ emissions	77.1% Reduction (Expected reduction of CO ₂ emissions : 67.43t/year)
Utility expenses	77.3% Reduction (Cost reduction effect : about 5 million yen/year, Payback about 1 year)

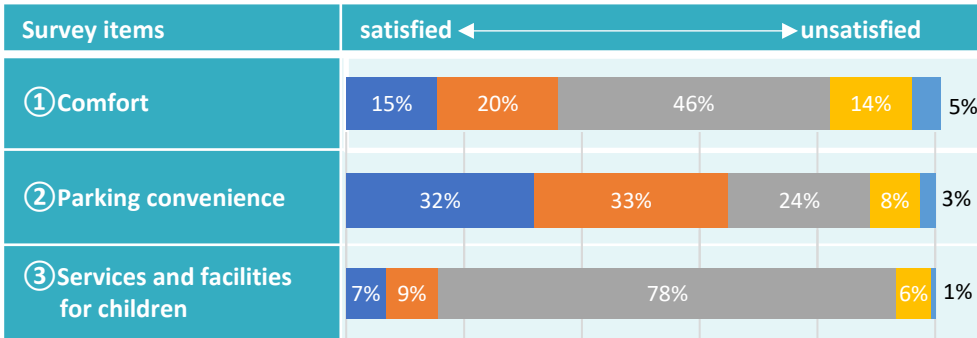
Internal Growth -2

Satisfaction survey for facility user

A facility user satisfaction survey was conducted at the Asumigaoka Brand-New Mall in the 15th FP. Based on the results of the survey, ESCON REIT discussed and implemented measures to improve matters that were identified as issues in the 16th FP.

Examples of survey results

1: Satisfied 2: Moderately Satisfied 3: Neutral 4: A Little Dissat 5: Dissatisfied



Status of the discussion and implementation of measures for improvement

Content	Implemented / to be implemented period
Place additional sofas to secure resting spaces and improve comfort	16th FP (Implemented)
Renovate the entire asphalt surface in the flat parking lot	16th FP (Implemented)
Renovate the rooftop parking lot and enhance the drainage system	17th FP
Enhance the space for children	After 17th FP

Progress of renovation works at tonarie Minami-senri

In response to the results of the facility user satisfaction survey and the tenant satisfaction survey, ESCON REIT has been renovating the facility. In the 16th FP, enhancement of the exterior appearances and renovation of the nursing room were completed as the first phase of the renovation. After the completion of the second phase of renovation, in which the courtyard and the interior of the buildings will be renovated, the facility will reopen in April 2025.

Exterior and the nursing room before (left) and after (right) the appearance enhancement



Financial Strategy

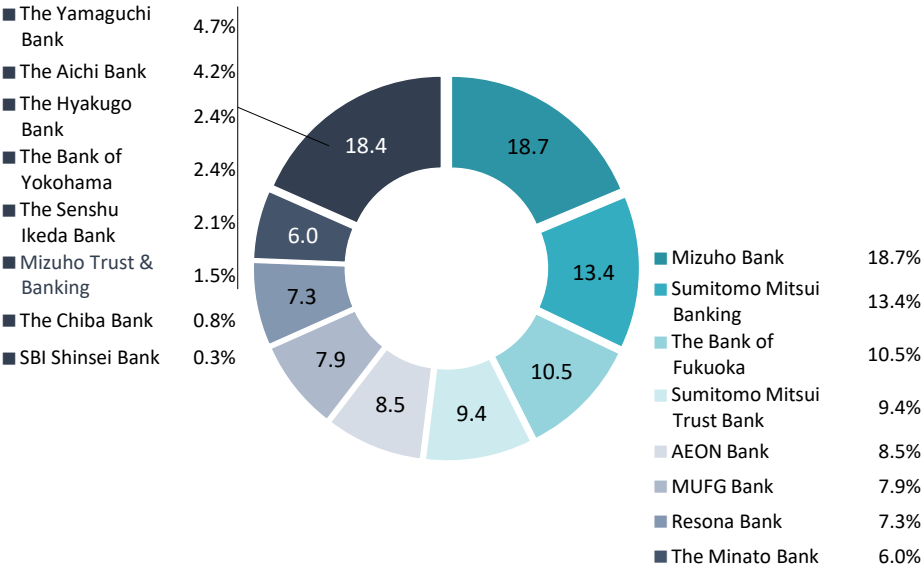
Financial highlights (as of January 31, 2025)

Total interest-bearing debt	JPY 33.09bn	Average remaining term	2.1years
Average Interest Rate	0.84%	Ratio of long-term borrowings	100.0%

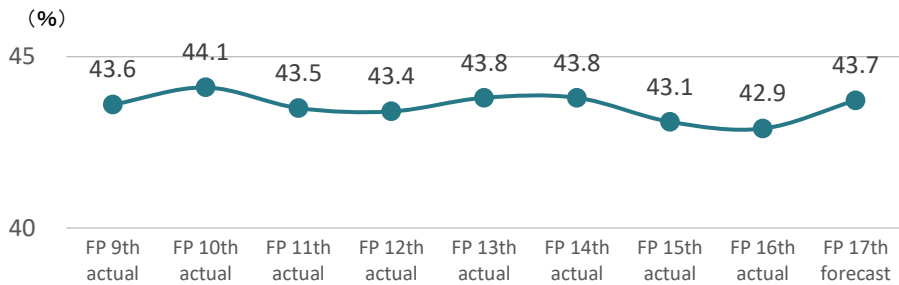
Credit Rating (R&I)

Issuer rating	A— (Stable)
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Lender status



LTV control

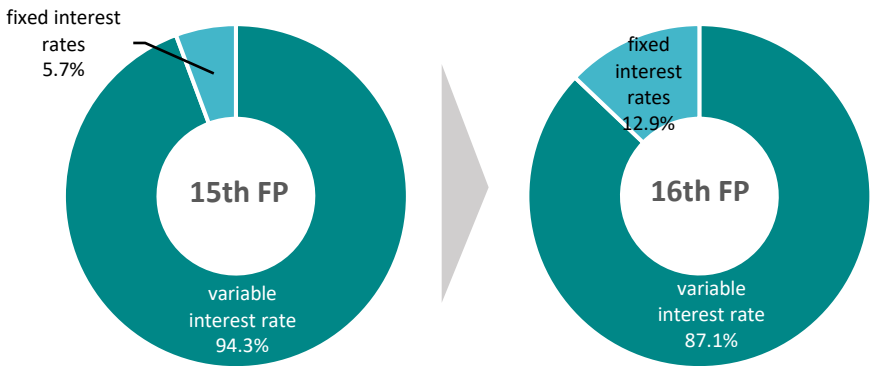


Actions for investors and lenders

- ESCON REIT implemented a capital increase through a third-party allotment of 8,700 units to Chuden Real Estate in the 15th FP, gained a stronger commitment to ESCON REIT as Chubu Electric Power group.
- ESCON REIT actively reached out to prospective new lenders multiple times and focused our effort on strengthening lender formation. ESCON REIT invited a new bank for the refinancing carried out at the end of January 2025.

Actions to fix interest rates on borrowings

- Following ESCON REIT’s first interest rate swap contract concluded at the end of January 2024, ESCON REIT fixed the interest rate on the entire JPY 2,386 million that was refinanced at the end of January 2025.



5. Initiatives on the Roadmap (the 3rd Phase)



Issues Identified in the 1st Phase and the 2nd Phase

- Increase revenues from the current portfolio, which is primarily composed of fixed rents and long- and fixed-term land lease contracts
- Respond to increases in interest expenses and other various expenses in an environment of inflation and rising interest rates
- Expand the asset size strategically and continuously with the aim of sustainably increasing unitholder value

Issues identified in internal growth

- **Review individual property management strategies**
 - ESCON REIT has not responded adequately to changes in the operating environment for individual properties, such as aging of the buildings, growth potential, and surrounding environment.
- **Measures to improve facility user satisfaction**
 - ESCON REIT has received requests from many users for improvement of the facility environment.
- **Implement branding strategy**
 - There is room to make further efforts to create attractive towns as a lifestyle-focused asset owner in collaboration with local communities.
- **Implement measures to improve NOI**
 - ESCON REIT has not sufficiently secured revenues to offset and exceed the increases in various expenses in the ongoing inflationary environment.
 - Revenues from variable rents, such as percentage rents, account for only 2.3% as many of our rents are fixed and many of our land lease contracts are long term.

Issues identified in external growth

- **Expand the asset size**
 - As ESCON REIT did not have the opportunities for external growth in the 16th FP, its asset size remained approx. JPY 70.0 billion on a book value basis.
- **Secure pipelines**
 - While the Asset Manager increased staff, the Asset Manager requires more staff to secure an adequate number of properties of which the Asset Manager have collected information and prospective properties to be acquired through direct channels from sellers.
- **Further diversify of the asset types**
 - Sourcing is insufficient for residential properties with rent gaps and hotel properties where the average daily rate is expected to increase in the future.
 - It is not sufficiently recognized by the public that the investment scope of our REIT includes not only commercial facilities but also a wide range of other asset types.

Issues identified in financial strategy

- **Actions to fix interest rates on borrowings and reinforcement of financial base through PO**
 - Interest expenses have been increasing as the ratio of borrowings whose interest rates have been fixed is 12.9% (as of the end of the 16th FP).
 - Investor relations activities targeted at individual investors are inadequate.

Policy on Initiatives for the 3rd Phase

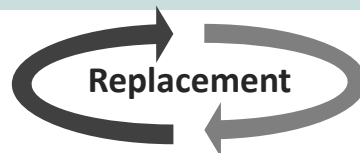
- Sort properties in the existing portfolio into those that revenues have reached maturity through value enhancement and those whose NOI is expected to grow
- Replace approx. 15% of the entire portfolio and appropriately utilize the proceeds from the transfers and financial leverage to make selective investments in properties that will enhance NOI and strengthen resilience to inflation
→Strengthen the portfolio
- In the current environment, continue to cautiously consider external growth opportunities involving public offerings
Meanwhile, in preparation for the time when public offerings become feasible, expand the pipelines through the utilization of warehousing and bridge functions

Reevaluate existing properties and sort them into those to be kept and those to be transferred

- Potential for NOI growth
- Potential for asset value appreciation
- Projection of the population of the trade zones



Transfer properties which revenues have reached maturity through value enhancement in the current real estate trading market
→**Realize unrealized profits**



Encourage internal growth of existing properties whose NOI is expected to grow

- Promote rent increase and cost reduction
- Implement measures based on the results of facility user satisfaction surveys
- Strengthen the collaboration with the local residents and governments

Make selective investments in properties with room for value enhancement that will increase NOI and strengthen resilience to inflation

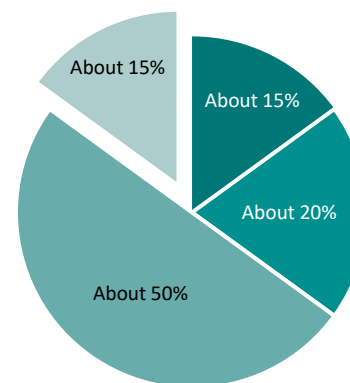
- Utilize transferred funds
- Utilize financial leverage
- Consider external growth opportunities involving public offerings depending on the situation



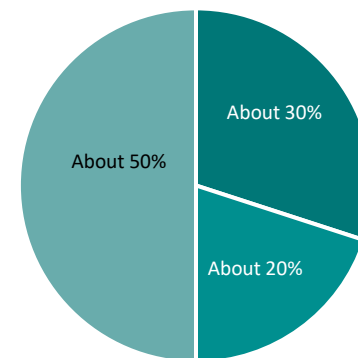
Strengthen the portfolio and aim for the enhancement of unitholder value

Future Portfolio Image

(Now)



(After replacement)



- Properties whose NOI is expected to increase in one to three years
- Properties whose NOI is expected to increase in three to five years
- Properties with stable NOI for more than five years
- Properties considered for potential transfer

Replacement Strategy

● Selective acquisitions of properties whose NOI is expected to grow

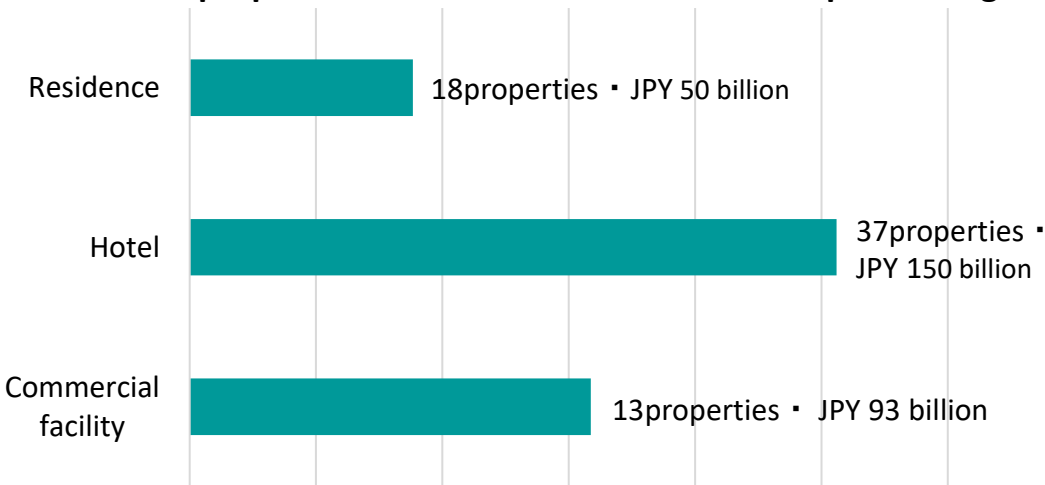
Commercial facilities with room for value enhancement

- The information ESCON REIT has collected so far has revealed that there are many properties that have rent gaps and commercial facilities where foot traffic can be increased through tenant mix adjustments and core tenant replacements by the respective areas depending on the projects.
→ Invest in properties whose NOI is expected to grow by making the most of the expertise and investment capabilities ESCON REIT has acquired so far

Hotels and residential properties in the central areas of the five major metropolitan areas, which are the most sensitive asset types to economic conditions in an inflationary phase

- Profitability of hotels has improved due to the growth of inbound demand. The average daily rate has markedly risen in the metropolitan districts, and the trend is expected to spread to suburban and rural areas in the future.
→ Invest in properties whose NOI is expected to grow through the introduction of variable rents and operator changes
- Renting has become the most viable option, especially among young generations, due to the rises in housing prices. Demand in central urban areas has been stable owing to people’s growing desire to live close to work, and the rising trend in rents is expected to spread to suburban areas.
→ Invest in properties whose NOI is expected to grow in the central areas in the five major metropolitan areas

● Number of properties under review whose NOI is expected to grow in the 16th FP



- Utilize the sponsor pipelines of ES-CON JAPAN and Chuden Real Estate
- Add more staff to the Investment Marketing Department



Make the most of asset replacement and warehousing and bridge functions and focus on expanding the pipelines in preparation for external growth opportunities at the time of market recovery

Internal Growth

Initiatives for rent increase and cost reduction to improve NOI

Initiatives for rent increase

- Seize the opportunities to eliminate rent gaps at the timing of move-ins and outs of the tenants
- Negotiate for rent increases when the leases come up for renewals primarily with tenants whose rents and common charges have room for increases
- Introduce percentage rents for tenants with growing sales
- Replace existing tenants with those in different industries
- Planning to revise rents for large-scale tenants and leasehold land properties in line with the increases in land property tax in the 17th FP as well

Initiatives for cost reduction

- Increase utility charges to tenants and make capital investment aimed at reducing heating and lighting expenses
- Take corporate discounts on electricity charges
- Assess the feasibility of reducing water expenses by utilizing well water

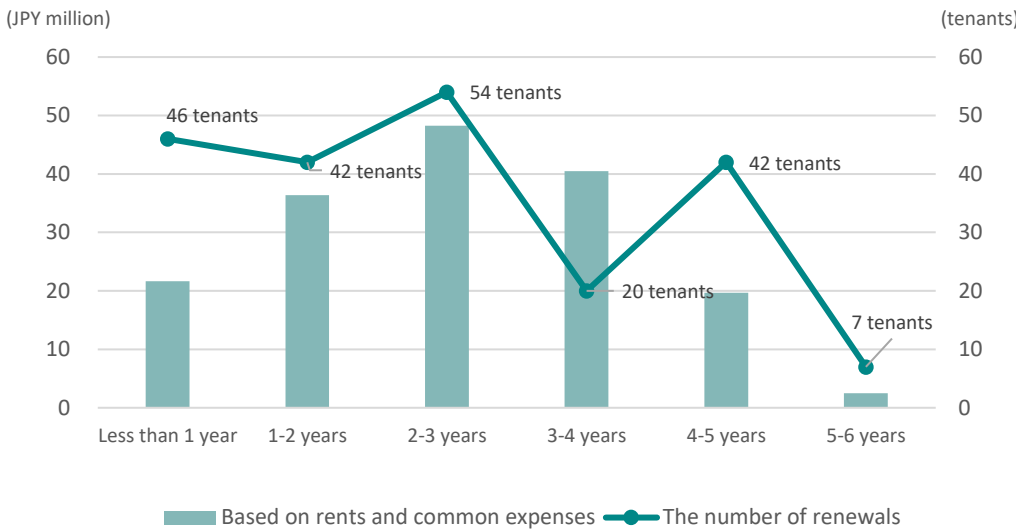
Promote value enhancement based on the results of facility user satisfaction surveys

- Enhance value based on the results of the survey conducted at tonarie Seiwadai in the 16th FP
- Conduct a facility user satisfaction survey at one property per FP and, after thorough examination of the results, formulate and implement measures to solve issues and enhance attractiveness based on the balance between costs and benefits
- Planning to conduct facility user satisfaction surveys at the SUROY MALL Nagamine in the 17th FP and tonarie Yamatotakada in the 18th FP

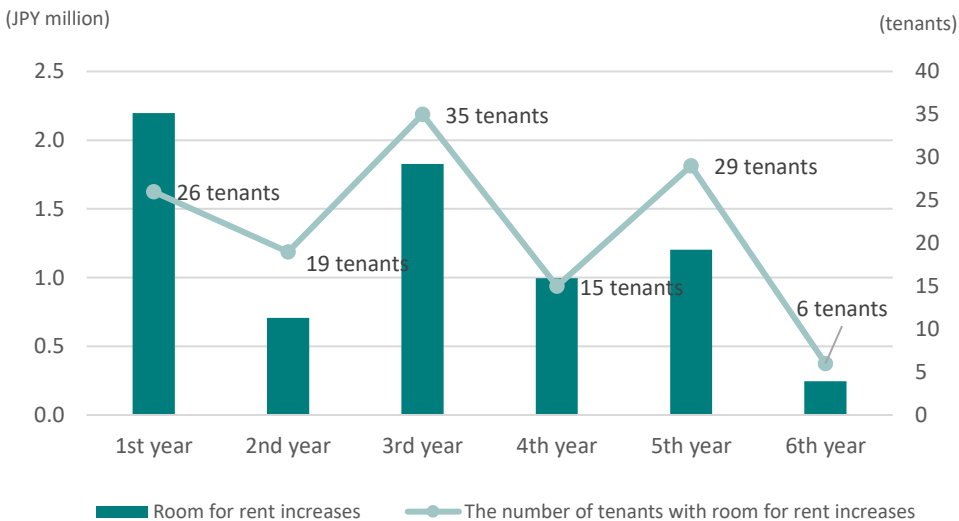
Implement branding strategy

- As a lifestyle-focused asset owner, promote initiatives to designate ESCON REIT's commercial facilities as disaster response hubs in collaboration with local residents and governments

Future tenant contract renewals schedule (Total land and buildings *Excluding leasehold land)

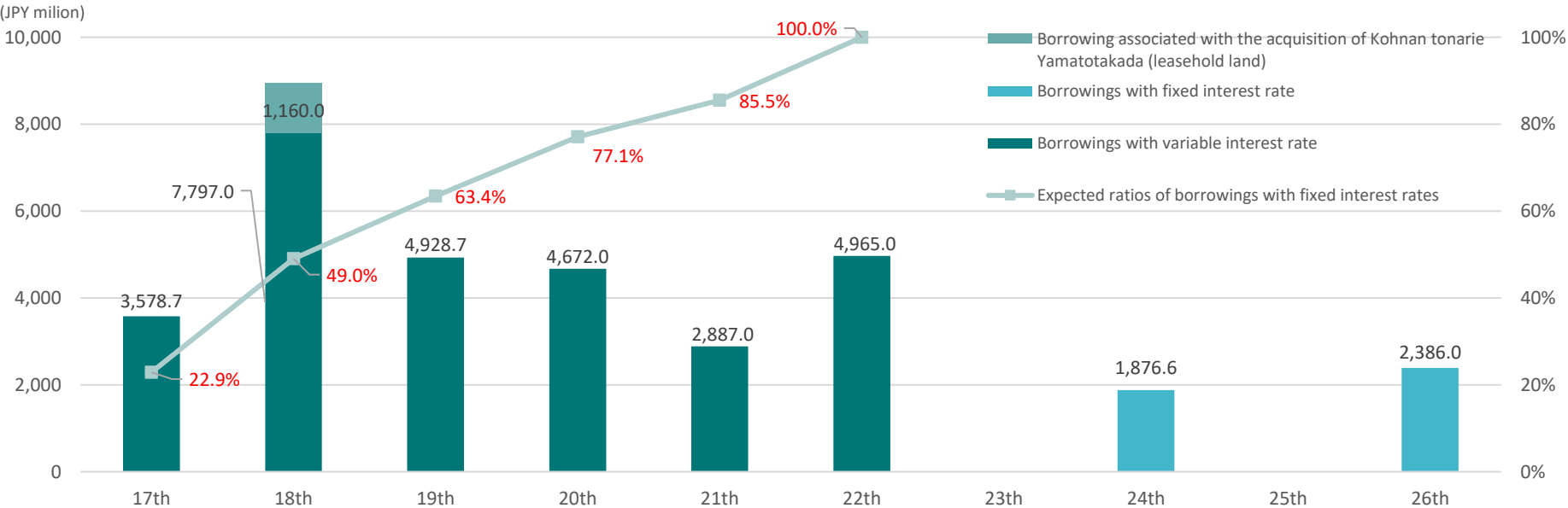


Estimated size of room for monthly rent increases that are likely in the next six years and the number of tenants whose rents have room for increases in each property (Total land and buildings *Excluding leasehold land)



Financial Strategy

- **Enhance investor relations(IR) targeting individual unitholders**
 - Continue to cautiously consider public offerings while paying close attention to market conditions
 - Review IR strategy and strengthen IR activities targeting individual unitholders
- **Continue to fix interest rates for a long period of time**
 - Continue to pursue a policy of fixing interest rates for a long period of time and spreading out debt maturities at the time of refinancing and target a ratio of borrowings whose interest rates have been fixed at around 80%, which is the average for J-REITs.
 - Planning to invite a new bank and fix the interest rate for a long period of time on the short-term borrowing associated with the acquisition of Kohnan tonarie Yamatotakada (leasehold land) at the time of refinancing by the 18th FP
- **Efficient use of financial leverage**
 - Cautiously assess interest rate trends and our financial capacity, including unrealized profits on assets, and consider utilizing leverage capacity up to a maximum of 50% in order to expand the asset size (The financial leverage after the acquisition of Kohnan tonarie Yamatotakada (leasehold land) is expected to be 43.7%.)
- **Actions to fix interest rates on borrowings and expected fixed interest ratio***



6. ESG Initiatives

Acquisition of Certifications







GRESB*1 Real Estate Assessment



In the 2024 GRESB Real Estate Assessment, ESCON REIT received a “1 Star” in GRESB Rating. It also won a “Green Star” designation 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.

DBJ Green Building*2 Certifications

ESCON REIT has obtained DBJ Green Building Certifications for a total of five properties.

Certified properties	Certification rank		Certified date
tonarie Toga・Mikita	2023 	 DBJ Green Building	July 27, 2023
tonarie Yamatotakada	2023 		July 27, 2023
tonarie Minami-senri	2023 		February 2, 2024
tonarie Seiwadai	2023 		February 2, 2024
Asumigaoka Brand-New Mall	2024 		July 9, 2024

Initiative Theme

Environment

- Establish environmental targets for 2030 for GHG emissions, energy consumption and water consumption
- Formulate and work on specific measures tailored to the current conditions of each of our properties to achieve each of the targets

Social

- Continue to aim to create a facility that is the center of the local community and that can be used safely and comfortably by tenant employees and facility users
- Further promote the creation of a comfortable working environment and structure for the Asset Manager’s executives and employees

Governance

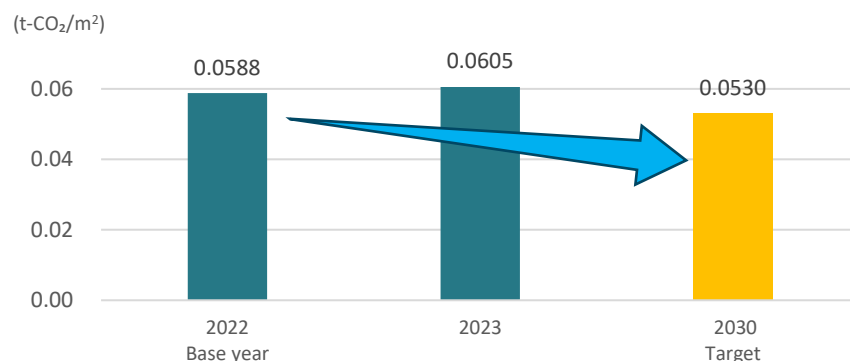
- Continue to strive to maintain and improve the governance structure of the ESCON REIT and the Asset Manager for future asset acquisitions and transfers

E nvironment

New Environmental Targets

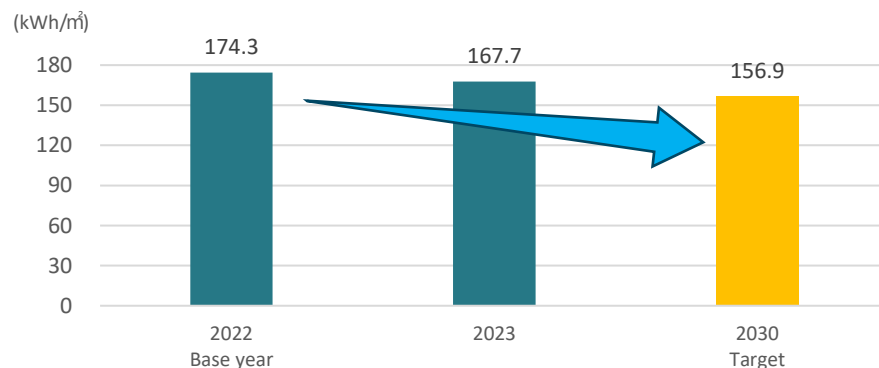
● GHG emissions (Scope1, 2 and 3) reduction target

Key Indicator	2030 Target
GHG emissions Intensity (t-CO ₂ /m ²) *	Reduce 10% by 2030



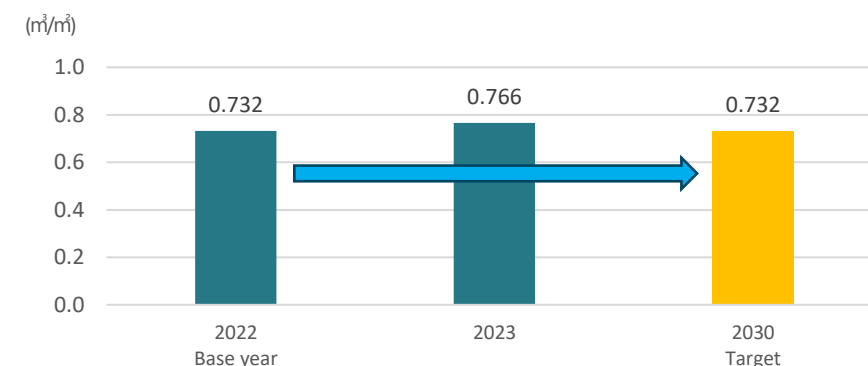
● Energy consumption reduction target

Key Indicator	2030 Target
Energy Consumption Intensity (kWh/m ²) *	Reduce 10% by 2030



● Water consumption management target

Key Indicator	2030 Target
Water consumption Intensity (m ³ /m ²) *	Maintain below base year



● Considerations for achieving targets

Consideration	Property
Switching to LED lighting	Asumigaoka Brand-New Mall, fab Minamiosawa tonarie Toga ▪ Mikita, tonarie Seiwadaï
Replacement of air conditioners	fab Minamiosawa, SUROY MALL Nagamine, tonarie Seiwadaï
Improvement of air conditioning efficiency	Asumigaoka Brand-New Mall, tonarie Toga ▪ Mikita, tonarie Yamatotakada
Reduce energy consumption of cold and hot water generators	Asumigaoka Brand-New Mall
Installation of solar panels	SUROY MALL Nagamine

Social

Coexist and Cooperate with the Local Community

By holding a variety of events in lifestyle-focused commercial facilities, in which members of the local communities and tenants can participate and implement community-based activities that contribute to society, ESCON REIT aims to contribute to the revitalization of local areas and the creation of local communities.

Coexist and cooperate with the local community



Hitoyasumi Cafe (tonarie Seiwadai)



Concert by 4 local groups (tonarie Yamatotakada)



Certified as dementia-friendly shopping center

ESCON REIT is working to create age-friendly communities, including older people with dementia. Some tenants in tonarie Seiwadai have taken dementia supporter courses and this commercial facility was certified as a dementia-friendly shopping center by Hyogo Prefectural Government.



Participation in the “Child-raising Support Passport Project” (tonarie 4 facilities*1)

ESCON REIT is participating in the “Child-raising Support Passport Project” which provides support for outings with infants and offers various discounts and other services for households with children, operated mainly by local governments with support from businesses and stores.

Improve Safety and Comfort for Facility User and Tenants

Initiatives to Improve Safety and Comfort

- (i) For the comfort of those who are accompanied by children, ESCON REIT is introducing a nursing room in our facilities. (tonarie 4 facilities, Asumigaoka Brand-New Mall)
- (ii) With the aim of improving the workplace environment for tenant employees, ESCON REIT is installing and renovating resting rooms for tenant employees. (tonarie 4 facilities, Asumigaoka Brand-New Mall)

Create a Comfortable Work Environment

Initiatives to improve the workplace environment for employees

Promoting Diverse Work Styles

- Support systems for childcare and nursing care (leave, leave of absence, shortened working hours, etc.)
- Establishment of in-house rules for work from home and staggered work schedules
- Overtime monitoring

Health management

- Conduct stress checks for executives and employees
- Annual periodic health checkups, introduction of health consultation system by industrial physicians

Employee Engagement Survey

- Implement of improvement measures based on the survey

Status of employees*2

Number of qualified employees

ARES Certified Master	8 employees
Real Estate Transaction Agent	18 employees
Real Estate Appraiser	1 employee
Real Estate Consulting Master	2 employees

Years of experience in real estate securitization business

Less than 3 years	8 employees
From 3 to less than 10 years	5 employees
10 years or more	8 employees

Diversity

- Percentage of female executives and employees: 38.1%

G overnance

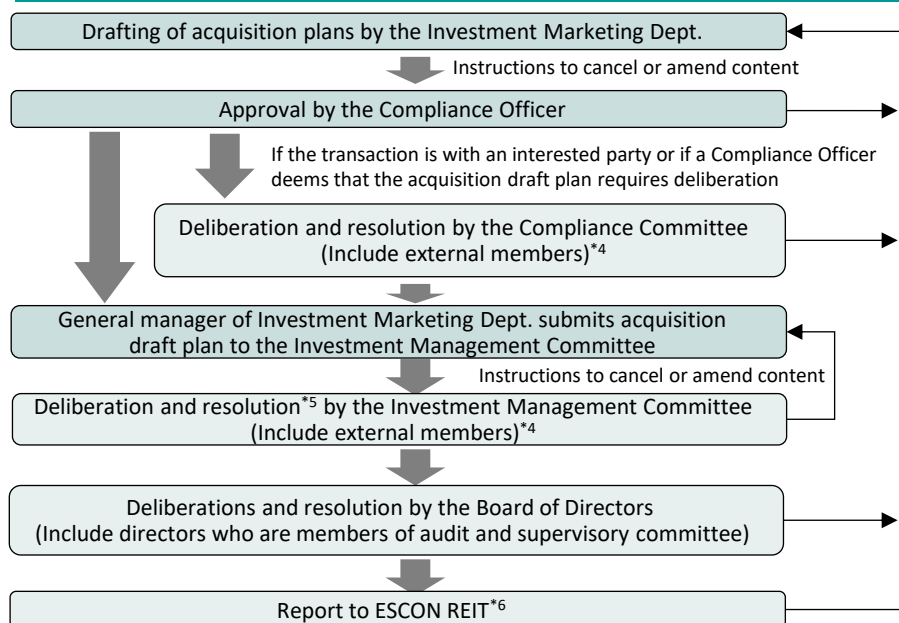
Further Strengthening of Governance of the Asset Manager

Measures against conflict of interest

The Asset Manager takes measures to prevent conflicts of interest through the formulation of self-imposed rules and multi-tiered checks in transactions with interested parties*1.

Interested Party Transaction Rules (self-imposed rules)	
Acquisition/Transfer	Bridge or warehousing*2 requests
<ul style="list-style-type: none"> Acquisition price ≤ Appraisal value by third party Transfer Price ≥ Appraisal value by third part*3 	<ul style="list-style-type: none"> Confirm the necessity and appropriateness of the negotiation process and scheme at the time of LOI presentation Offer price at the time of LOI presentation and acquisition price ≤ Appraisal value by third party

Decision-making process for property acquisitions by ESCON REIT



Status of Conferences of the ESCON REIT and the Asset Manager

Board of Directors of the ESCON REIT*7 (16th FP)

Title	Name	Attendance rate/Number of times held
Executive Director	Tadashi Ebihara	100%/6
Supervisory Director	Satoshi Ugajin	100%/6
Supervisory Director	Rin Moriguchi	100%/6

Conferences of Asset Manager (16th FP)

Conferences	Number of directors and members	Attendance rate/Number of times held
Board of Directors*8	6	100% / 8
Audit and Supervisory Committee	3	100% / 6
Compliance Committee*9	4*4	100% / 4
Investment Management Committee*10	6 + Compliance Officer*4	100% / 7

Status of Training Programs

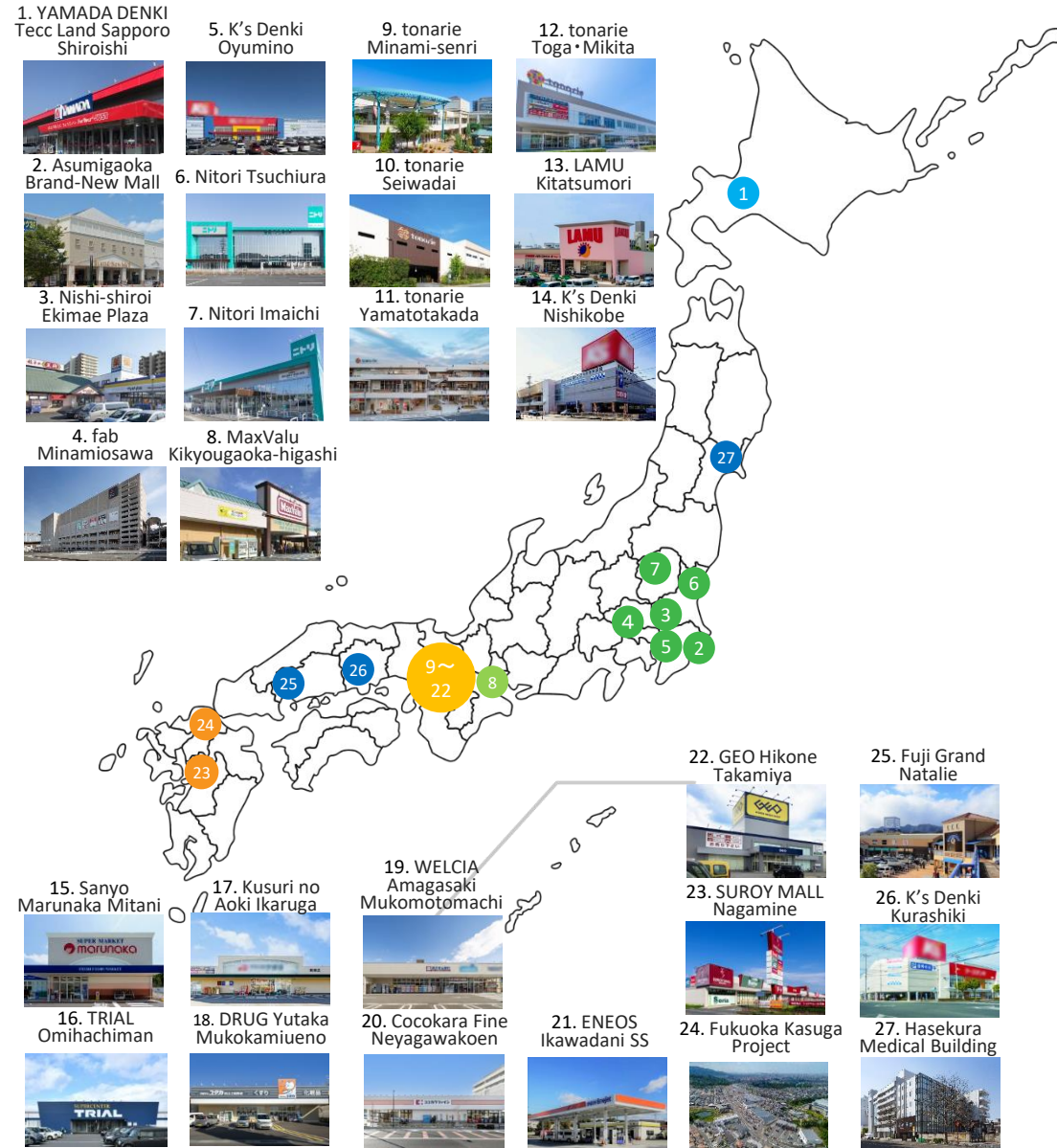
Status of Training Programs (16th FP)

Item	Number of times held	Theme
Training organized by the Asset Manager	7 times	<ul style="list-style-type: none"> Measures to prevent conflict of interest Money laundering Information Security Management and Personal Information BCP
ES-CON JAPAN Group common training	4 times	<ul style="list-style-type: none"> Information security education Financial instruments business

Appendix

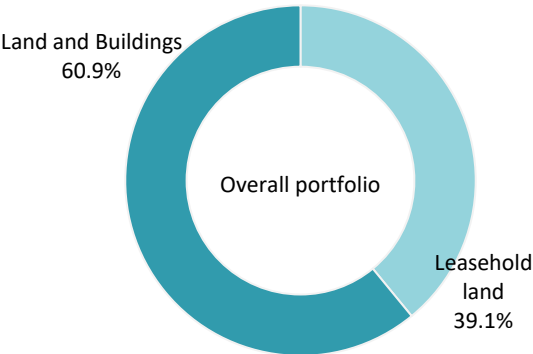
Portfolio Map

	Property name	Area	Location	Asset type	Tenants	Occupancy Rate (%)
1	YAMADA DENKI Tecc Land Sapporo Shiroishi	Hokkaido	Sapporo City, Hokkaido	Leasehold land	1	100.0
2	Asumigaoka Brand-New Mall	Tokyo metropolitan	Chiba City, Chiba	Land and Building	29	99.6
				Leasehold land	1	100.0
3	Nishi-shiroi Ekimae Plaza	Tokyo metropolitan	Shiroi City, Chiba	Land and Building	4	100.0
4	fab Minamiosawa	Tokyo metropolitan	Hachioji City, Tokyo	Land and Building	12	92.5
5	K's Denki Oyumino	Tokyo metropolitan	Chiba City, Chiba	Leasehold land	1	100.0
6	Nitori Tsuchiura	Tokyo metropolitan	Tsuchiura City, Ibaraki	Leasehold land	1	100.0
7	Nitori Imaichi	Tokyo metropolitan	Nikko City, Tochigi	Leasehold land	1	100.0
8	MaxValu Kikyogaoka-higashi	Chubu	Nabari City, Mie	Leasehold land	1	100.0
9	tonarie Minami-senri	Kinki	Suita City, Osaka	Land and Building	44	100.0
10	tonarie Seiwadai	Kinki	Kawanishi City, Hyogo	Land and Building	31	99.1
11	tonarie Yamatotakada	Kinki	Yamatotakada City, Nara	Land and Building	62	97.9
12	tonarie Toga • Mikita	Kinki	Sakai City, Osaka	Land and Building	31	100.0
13	LAMU Kitatsumori	Kinki	Osaka City, Osaka	Leasehold land	1	100.0
14	K's Denki Nishikobe	Kinki	Kobe City, Hyogo	Leasehold land	1	100.0
15	Sanyo Marunaka Mitani	Kinki	Kobe City, Hyogo	Leasehold land	1	100.0
16	TRIAL Omihachiman	Kinki	Omihachiman City, Shiga	Leasehold land	1	100.0
17	Kusuri no Aoki Ikaruga	Kinki	Ikoma District, Nara	Leasehold land	2	100.0
18	DRUG Yutaka Mukokamiueno	Kinki	Muko City, Kyoto	Leasehold land	1	100.0
19	WELCIA Amagasaki Mukomotomachi	Kinki	Amagasaki City, Hyogo	Leasehold land	1	100.0
20	Cocokara Fine Neyagawakoen	Kinki	Neyagawa City, Osaka	Leasehold land	1	100.0
21	ENEOS Ikawadani SS	Kinki	Kobe City, Hyogo	Leasehold land	1	100.0
22	GEO Hikone Takamiya	Kinki	Hikone City, Shiga	Leasehold land	1	100.0
23	SUROY MALL Nagamine	Kyushu	Kumamoto City, Kumamoto	Land and Building	24	100.0
24	Fukuoka Kasuga Project	Kyushu	Kasuga City, Fukuoka	Leasehold land	11	100.0
25	Fuji Grand Natalie	Other area	Hatsukaichi City, Hiroshima	Land and Building	1	100.0
26	K's Denki Kurashiki	Other area	Kurashiki City, Okayama	Leasehold land	1	100.0
27	Hasekura Medical Building	Other area	Sendai City, Miyagi	Land and Building	6	100.0
	Total				273	99.7

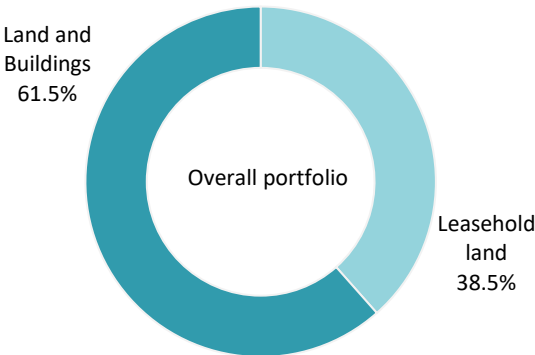


“Land and Buildings” and “Leasehold Land”

Based on acquisition price

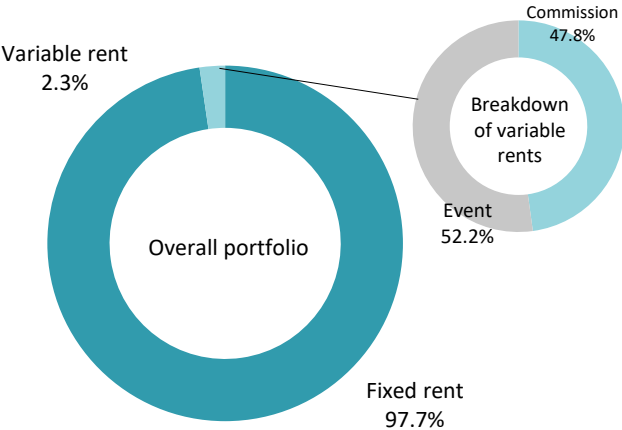


Based on NOI after depreciation



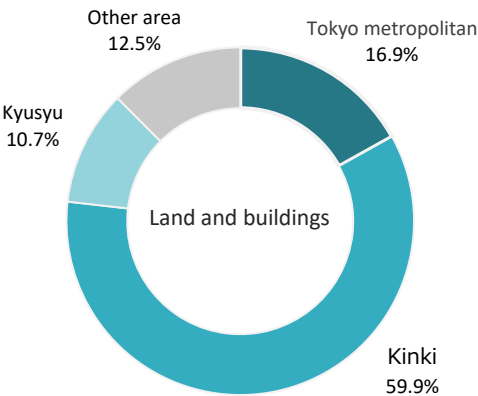
Fixed and Variable Rents

Based on leasing revenue

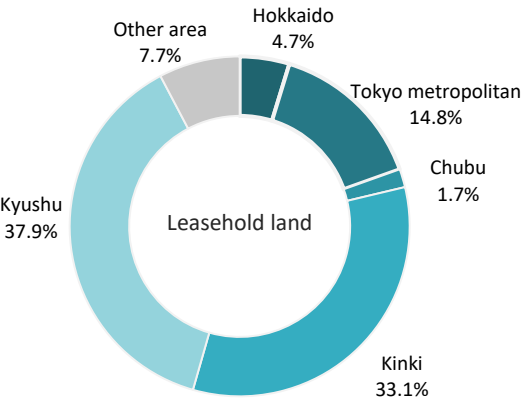


Regions

Based on acquisition price

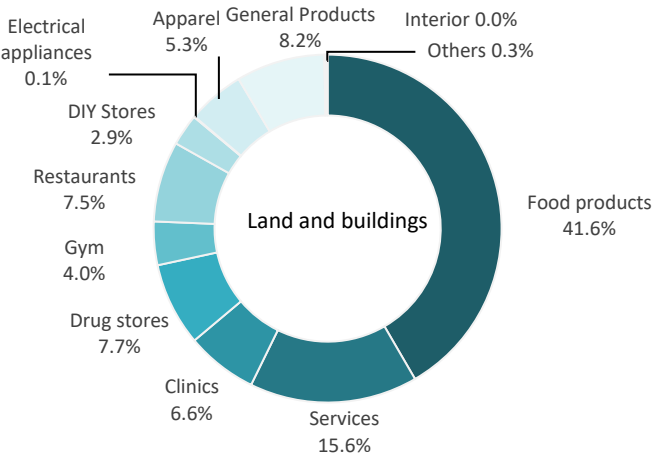


Based on acquisition price



Tenants

Based on contract rent + common charges



Balance Sheets

(JPY thousand)

	15th FP (Jul/24)	16th FP (Jan/25)
Assets		
Current assets		
Cash and deposits	2,412,756	2,727,886
Cash and deposits in trust	3,466,739	3,830,889
Operating accounts receivable	105,304	67,147
Prepaid expenses	85,872	82,564
Consumption taxes refund receivable	170,625	—
Other	26,139	—
Total current assets	6,267,438	6,708,488
Non-current assets		
Property, plant and equipment		
Buildings in trust	14,154,848	14,335,854
Accumulated depreciation	-1,282,888	-1,482,949
Buildings in trust, net	12,871,959	12,852,904
Structures in trust	140,530	140,530
Accumulated depreciation	-38,869	-42,611
Structures in trust, net	101,660	97,918
Tools, furniture and fixtures in trust	62,226	63,367
Accumulated depreciation	-26,618	-32,616
Tools, furniture and fixtures in trust, net	35,608	30,751
Land in trust	57,385,910	57,385,910
Construction in progress in trust	5,000	10,485
Total property, plant and equipment	70,400,138	70,377,970
Intangible assets		
Trademarks	394	341
Total intangible assets	394	341
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	92,057	76,943
Deferred tax assets	18	7
Total investments and other assets	102,075	86,951
Total non-current assets	70,502,609	70,465,262
Total assets	76,770,047	77,173,751

	15th FP (Jul/24)	16th FP (Jan/25)
Liabilities		
Current liabilities		
Operating accounts payable	146,747	262,536
Current portion of long-term borrowings	5,964,700	11,375,700
Accounts payable	37,760	64,703
Accrued expenses	164,784	168,738
Income tax payable	990	684
Accrued consumption tax	—	99,066
Advances received	343,186	409,120
Deposits received	35,154	2,755
Total current liabilities	6,693,322	12,383,305
Non-current liabilities		
Long-term borrowings	27,126,300	21,715,300
Tenant lease and guarantee deposits in trusts	2,607,150	2,648,277
Total non-current liabilities	29,733,450	24,363,577
Total liabilities	36,426,772	36,746,882
Net assets		
Unitholders' equity		
Unitholders' capital	39,173,828	39,173,828
Surplus		
Unappropriated retained earnings (undisposed loss)	1,169,446	1,253,039
Total surplus	1,169,446	1,253,039
Total unitholders' equity	40,343,275	40,426,868
Total net assets	40,343,275	40,426,868
Total liabilities and net assets	76,770,047	77,173,751

Statements of Income and Retained Earnings, Repair Expenses, Capex and Depreciation

Statements of Income and Retained Earnings

(JPY thousand)

	15th FP (Jul/24)	16th FP (Jan/25)
Operating revenue		
Leasing business revenue	2,209,054	2,408,141
Other leasing business revenue	276,621	386,099
Gain on sale of real estate properties	563,532	—
Total operating revenue	3,049,207	2,794,240
Operating expenses		
Expenses related to leasing business	972,252	1,140,323
Loss on sale of real estate properties	535,410	—
Asset management fees	137,799	141,787
Asset custody fees	3,658	3,706
Administrative service fees	12,573	11,709
Remuneration for director (and other officers)	5,400	5,400
Taxes and public dues	20,539	7,780
Other operating expenses	48,879	44,333
Total operating expenses	1,736,513	1,355,040
Operating income	1,312,693	1,439,199
Non-operating income		
Interest income	26	492
Gain on forfeiture of unclaimed dividends	522	2,129
Interest on tax refund	—	372
Total non-operating income	548	2,994
Non-operating expenses		
Interest expenses	101,609	139,474
Financing fees	36,170	49,073
Investment unit issuance expenses	5,306	—
Total non-operating expenses	143,086	188,547
Ordinary income	1,170,155	1,253,646
Income before income taxes	1,170,155	1,253,646
Income taxes-current	994	759
Income taxes-deferred	-15	11
Total income taxes	979	770
Net income	1,169,176	1,252,875
Retained earnings bought forward	270	164
Unappropriated retained earnings (undisposed loss)	1,169,446	1,253,039

Repair Expenses, Capex and Depreciation

Actual

(JPY thousand)

	15th FP (Jul/24)	16th FP (Jan/25)
Repair expenses	44,375	63,493
Capex	66,137	187,630
Main items	<i>tonarie Minami-senri</i> Basic design fee for renewal construction 5,000 <i>tonarie Seiwadai</i> Air conditioning renewal Construction 12,950	<i>tonarie Minami-senri</i> Renewal construction 95,241 <i>tonarie Seiwadai</i> Public toilets repair construction 12,601
Depreciation	201,191	209,799

Forecast

(JPY thousand)

	17th FP (Jul/25)	18th FP (Jan/26)
Repair expenses	93,950	76,735
Capex	367,798	118,626
Main items	<i>Asumigaoka Brand-New Mail</i> Rooftop parking lot waterproofing construction 81,996 <i>tonarie Minami-senri</i> Renewal construction 206,564	<i>tonarie Minami-senri</i> Escalator maintenance construction 23,883 Kitchen ventilation fans renewal 18,265
Depreciation	216,699	221,113

Income and Expenditure by Property

(JPY thousand)

Property name	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	Asumigaoka Brand-New Mall	Nishi-shiroi Ekimae Plaza	fab Minamiosawa	K's Denki Oyumino (Leasehold land)	Nitori Tsuchiura (Leasehold land)	Nitori Imaichi (Leasehold land)	MaxValu Kikyogaoka-higashi	tonarie Minami- senri	tonarie Seiwadai	tonarie Yamatotakada (ownership 50%)	tonarie Toga・Mikita	LAMU Kitatsumori (Leasehold land)	K's Denki Nishikobe (Leasehold land)	Sanyo Marunaka Mitani (Leasehold land)
Operating days	184	184	184	184	184	184	184	184	184	184	184	184	184	184	184
Age of buildings (year)	-	24.4	24.8	23.2	-	-	-	-	20.3	17.3	6.3	5.8	-	-	-
Operating revenue	Not disclosed	268,088	20,419	147,653	70,570	Not disclosed	Not disclosed	Not disclosed	443,091	177,535	377,190	270,050	38,148	62,176	Not disclosed
Leasing business revenue		186,860	17,064	111,878	70,570				374,086	139,613	297,673	229,915	38,148	62,176	
Other		81,227	3,355	35,774	-				69,004	37,922	79,517	40,134	-	-	
Expenses related to leasing business		166,057	7,193	62,356	7,615				182,697	89,958	140,113	94,319	6,986	5,543	
Taxes and public dues		23,542	1,325	-	7,065				27,554	12,538	12,238	14,673	6,236	4,793	
Management fees		36,386	1,850	17,961	300				82,404	28,971	50,990	33,210	500	500	
Insurance premium		1,987	88	1,091	-				835	834	885	1,043	-	-	
Repair expenses		13,564	363	6,962	-				9,510	11,371	8,555	4,853	-	-	
Other		90,576	3,566	36,341	250				62,392	36,244	67,443	40,540	250	250	
Leasing NOI	27,834	102,031	13,225	85,296	62,955	26,679	10,614	14,449	260,394	87,576	237,077	175,730	31,161	56,632	30,858
Depreciation	-	20,526	1,086	19,563	-	-	-	-	21,876	29,271	41,164	33,017	-	-	-
Operating income	27,834	81,504	12,138	65,732	62,955	26,679	10,614	14,449	238,517	58,304	195,912	142,712	31,161	56,632	30,858
Capex	-	8,777	-	12,759	-	-	-	-	118,579	27,958	15,744	3,646	-	-	-
NCF	27,834	93,253	13,225	72,536	62,955	26,679	10,614	14,449	141,814	59,618	221,333	172,084	31,161	56,632	30,858

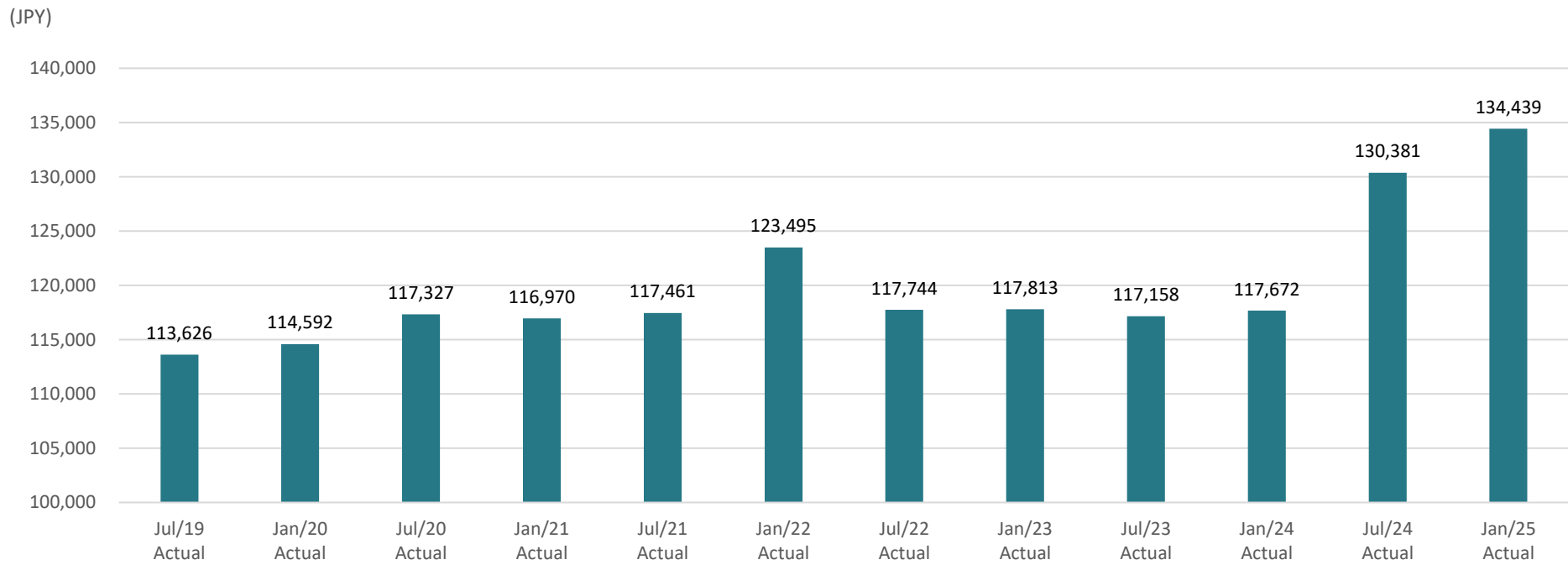
Property name	TRIAL Omihachiman (Leasehold Land)	Kusuri no Aoki Ikaruga (Leasehold Land)	DRUG Yutaka Mukokamiueno (Leasehold Land)	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	Cocokara Fine Neyagawakoen (Leasehold Land)	ENEOS Ikawadani SS (Leasehold Land)	GEO Hikone Takamiya (Leasehold Land)	SUROY MALL Nagamine	Fukuoka Kasuga Project (Leasehold land)	Fuji Grand Natalie	K's Denki Kurashiki (Leasehold land)	Hasekura Medical Building	Total/Average
Operating days	184	184	184	184	184	184	184	184	184	184	184	184	
Age of buildings (year)	-	-	-	-	-	-	-	17.5	-	25.7	-	11.9	17.7
Operating revenue	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	191,396	266,580	Not disclosed	Not disclosed	50,324	2,794,240
Leasing business revenue								159,123	266,580			43,434	2,408,141
Other								32,272	-			6,889	386,099
Expenses related to leasing business								66,875	43,687			10,068	930,523
Taxes and public dues								14,344	40,020			-	199,096
Management fees								14,065	2,112			2,033	277,880
Insurance premium								982	-			215	9,870
Repair expenses								8,098	-			214	63,493
Other								29,383	1,555			7,605	380,183
Leasing NOI	21,953	18,449	10,127	11,708	14,821	12,147	6,916	124,520	222,893	104,169	53,235	40,255	1,863,717
Depreciation	-	-	-	-	-	-	-	11,900	-	19,968	-	11,422	209,799
Operating income	21,953	18,449	10,127	11,708	14,821	12,147	6,916	112,620	222,893	84,200	53,235	28,833	1,653,917
Capex	-	-	-	-	-	-	-	165	-	-	-	-	187,630
NCF	21,953	18,449	10,127	11,708	14,821	12,147	6,916	124,355	222,893	104,169	53,235	40,255	1,676,086

(as of January 31, 2025/JPY million)

Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation ^{*1}	NOI yield after depreciation ^{*1}	Discount Rate
		Jul. 31, 2024 (A)	Jan. 31, 2025 (B)				
YAMADA DENKI Tecc Land Sapporo Shiroishi	1,300	1,340	1,350	10	4.4%	4.4%	4.4%
Asumigaoka Brand-New Mall (1) ^{*2}	3,200	3,200	3,290	90	6.0%	4.8%	4.8%
Asumigaoka Brand-New Mall (2) ^{*2}		161	164	3			until 7 FY : 4.7% from 8 FY to 10FY : 4.8% 11 FY : 4.9%
Asumigaoka McDonald's (Leasehold land)		150	151	1			until 1 FY : 4.2% from 2 FY : 4.3%
Nishi-shiroi Ekimae Plaza	451	470	489	19	5.9%	5.4%	5.0%
fab Minamiosawa	3,600	4,320	4,400	80	4.9%	3.8%	3.9%
K's Denki Oyumino (Leasehold land)	2,710	2,880	2,880	-	4.7%	4.7%	4.7%
Nitori Tsuchiura (Leasehold land)	999	1,100	1,100	-	5.4%	5.4%	5.3%
Nitori Imaichi (Leasehold land)	363	410	411	1	6.0%	6.0%	5.6%
MaxValu Kikyogaoka-higashi (Leasehold land)	477	554	554	-	6.2%	6.2%	5.6%
tonarie Minami-senri	7,200	9,700	11,100	1,400	13.9%	13.2%	4.3%
tonarie Seiwadai	3,290	3,350	3,380	30	5.8%	4.1%	5.2%
tonarie Yamatotakada	8,208	8,150	8,130	-20	4.9%	3.9%	4.6%
tonarie Toga・Mikita	6,986	7,210	7,210	-	4.9%	4.0%	4.4%
LAMU Kitatsumori (Leasehold land)	1,270	1,480	1,480	-	4.9%	4.9%	4.3%
K's Denki Nishikobe (Leasehold land)	2,133	2,470	2,470	-	5.3%	5.3%	4.6%
Sanyo Marunaka Mitani (Leasehold land)	1,430	1,550	1,550	-	4.4%	4.4%	4.6%
TRIAL Omihachiman (Leasehold land)	1,010	1,110	1,110	-	4.4%	4.4%	4.6%
Kusuri no Aoki Ikaruga (Leasehold land)	711	731	731	0	5.3%	5.3%	5.2%
DRUG Yutaka Mukokamiueno (Leasehold land)	460	477	477	-	4.5%	4.5%	4.4%

Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation ^{*1}	NOI yield after depreciation ^{*1}	Discount Rate
		Jul. 31, 2024 (A)	Jan. 31, 2025 (B)				
WELCIA Amagasaki Mukomotomachi (Leasehold land)	565	577	578	1	4.2%	4.2%	until 5 FY : 4.0% from 6 FY : 4.1%
Cocokara Fine Neyagawakoen (Leasehold land)	702	720	721	1	4.3%	4.3%	until 3 FY : 4.1% from 4 FY : 4.2%
ENEOS Ikawadani SS (Leasehold land)	530	531	531	-	4.7%	4.7%	until 5 FY : 4.2% from 6 FY : 4.3%
GEO Hikone Takamiya (Leasehold land)	300	303	303	-	4.8%	4.8%	4.3%
SUROY MALL Nagamine	4,600	4,500	4,190	△310	4.4%	3.9%	5.0%
MrMAX Kasuga (Leasehold land)	3,387	3,980	4,010	30	4.2%	4.2%	4.5%
UNIQLO Kasuga (Leasehold land)	595	680	685	5	3.9%	3.9%	4.6%
Avail.Shimamura Kasuga (Leasehold land)	863	1,120	1,130	10	4.8%	4.8%	4.6%
au-SoftBank Kasuga (Leasehold land)	143	160	162	2	4.5%	4.5%	4.6%
Kura Sushi Kasuga (Leasehold land)	261	304	306	2	4.6%	4.6%	4.6%
docomo Shop Kasuga (Leasehold land)	160	181	183	2	4.5%	4.5%	4.6%
Konpira Maru Kasuga (Leasehold land)	236	265	266	1	4.6%	4.6%	4.6%
One-Karubi Kasuga (Leasehold land)	236	265	266	1	4.6%	4.6%	4.6%
Suke-san Kasuga (Leasehold land)	401	421	423	2	4.3%	4.3%	4.6%
NAFCO Kasuga (Leasehold land)	2,631	3,500	3,500	-	4.4%	4.4%	4.5%
K's Denki Kasuga (Leasehold land)	1,487	1,880	1,880	-	4.2%	4.2%	4.5%
Fuji Grand Natalie	3,950	4,110	4,190	80	5.2%	4.2%	4.8%
K's Denki Kurashiki (Leasehold land)	2,121	2,460	2,460	-	5.0%	5.0%	4.6%
Hasekura Medical Building	1,400	1,480	1,480	-	4.8%	3.2%	4.3%
TOTAL	70,373	78,250	79,691	1,441	5.8%	5.2%	-

Trends in Net Asset Value Per Unit



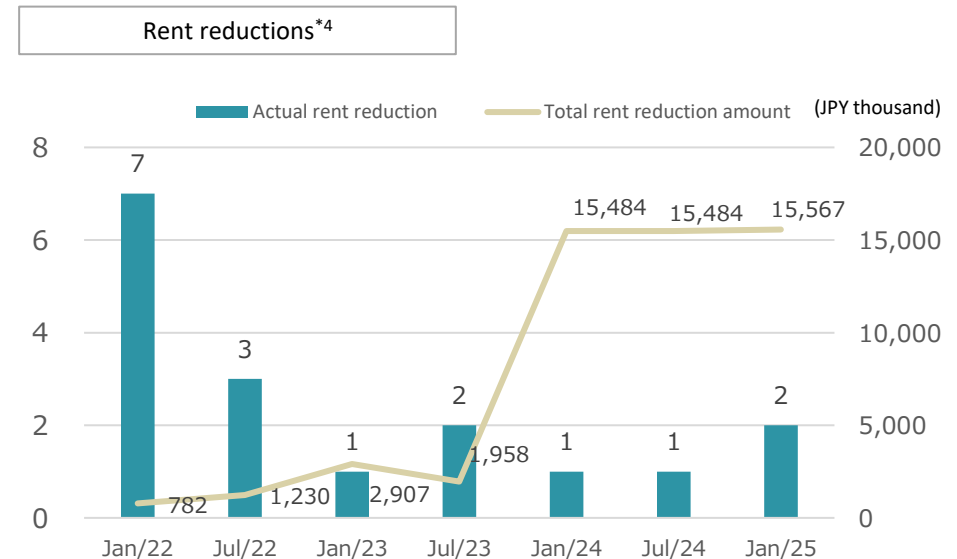
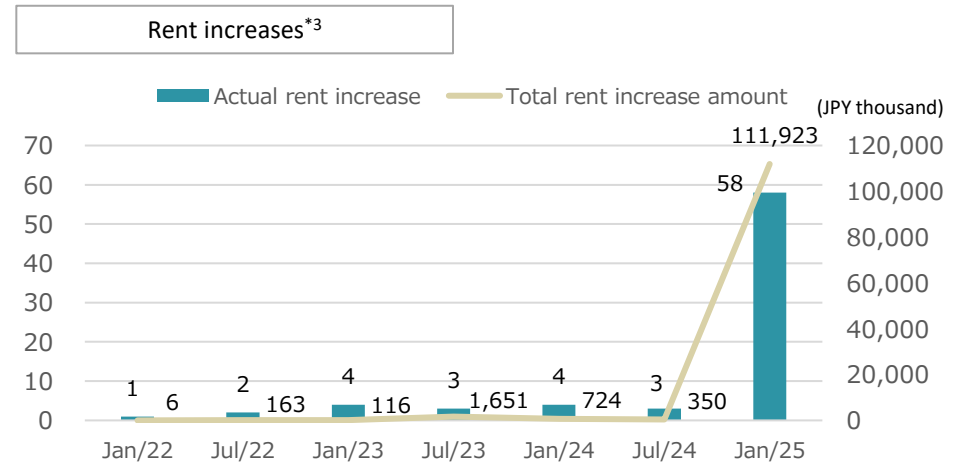
Trends in Portfolio Occupancy Rate

8th FP from Aug. 1, 2020 to Jan. 31, 2021	9th FP from Feb. 1, 2021 to Jul. 31, 2021	10th FP from Aug. 1, 2021 to Jan. 31, 2022	11th FP from Feb. 1, 2022 to Jul. 31, 2022	12th FP from Aug. 1, 2022 to Jan. 31, 2023	13th FP from Feb. 1, 2023 to Jul. 31, 2023	14th FP from Aug. 1, 2023 to Jan. 31, 2024	15th FP from Feb. 1, 2024 to Jul. 31, 2024	16th FP from Aug. 1, 2024 to Jan. 31, 2025
99.8%	99.5%	99.7%	99.9%	100%	99.9%	99.3%	99.8%	99.7%

New Contracts and Terminations of Tenants*1

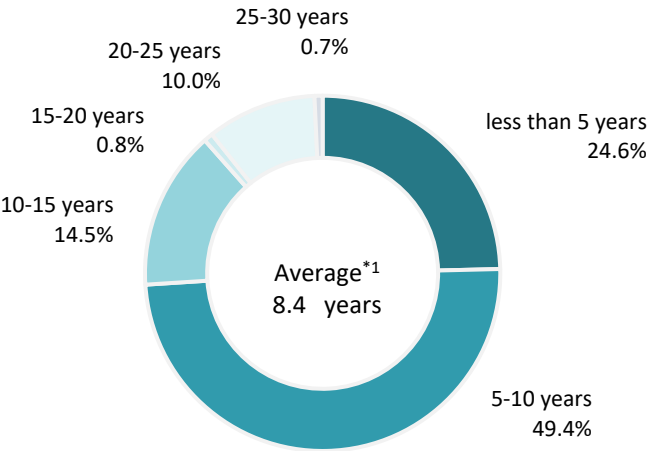
Fiscal Period	New contracts		Contract terminations or move-out	
	Total	Tenant category	Total	Tenant category
10th (Jan. 2022)	5	Restaurants 1 Services 1 General Products 3	3	Restaurants1 General Products 2
11th (Jul. 2022)	3	Services 1 Food products 1 General Products 1	3	Services 1 Food products 1 Apparel 1
12th (Jan. 2023)	8	Restaurants 2 Services 5 General Products 1	5	Restaurants 3 Services 1 General Products 1
13th (Jul. 2023)	7	Restaurants 4 Services 2 General Products 1	10	Restaurants 2 Services 4 Food products 3 General Products 1
14th (Jan. 2024)	3	Services 1 General Products 1 Restaurants 1	5	Services 2 General Products 2 Restaurants 1
15th (Jul. 2024)	3	Services 1 Restaurants 2	3	Services 1 Restaurants 2
16th (Jan. 2025)	8	Services 3 Restaurants 2 Apparel 2 Clinics 1	13	Food products 1 Services 5 General Products 1 Restaurants 2 Apparel 4

Rent Increases and Reductions*2 of Tenants*1

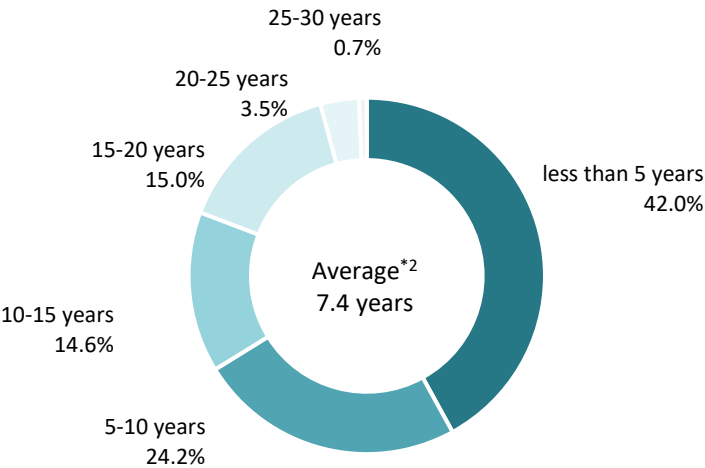


Remaining Lease Term as of Jan. 2025

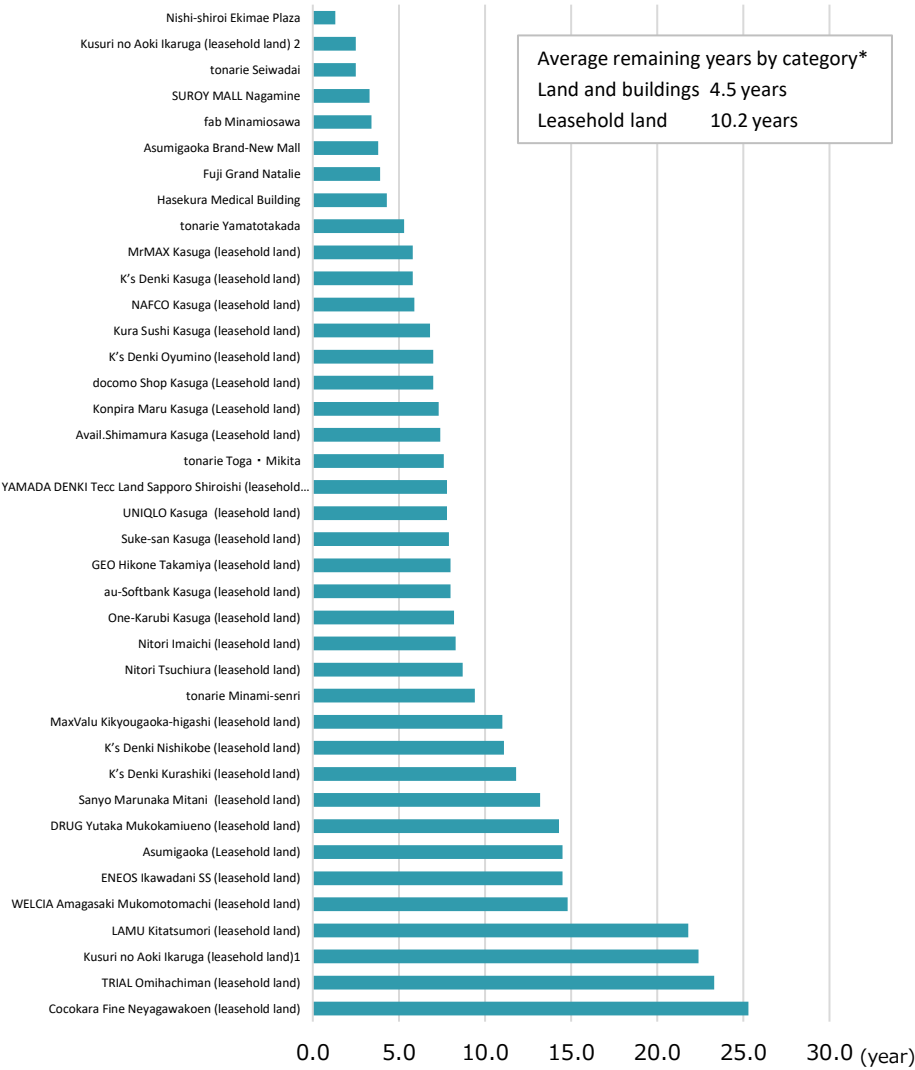
Based on leasable area



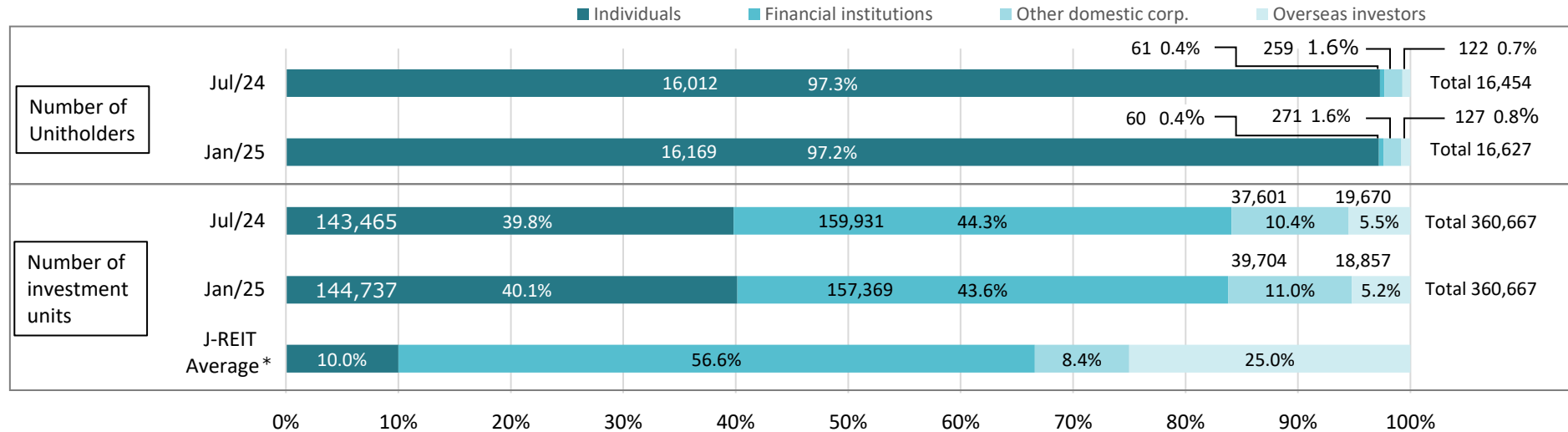
Based on contract rent + common charges



Based on leasable area by property*³



Unitholders by Type (as of January 31, 2025)

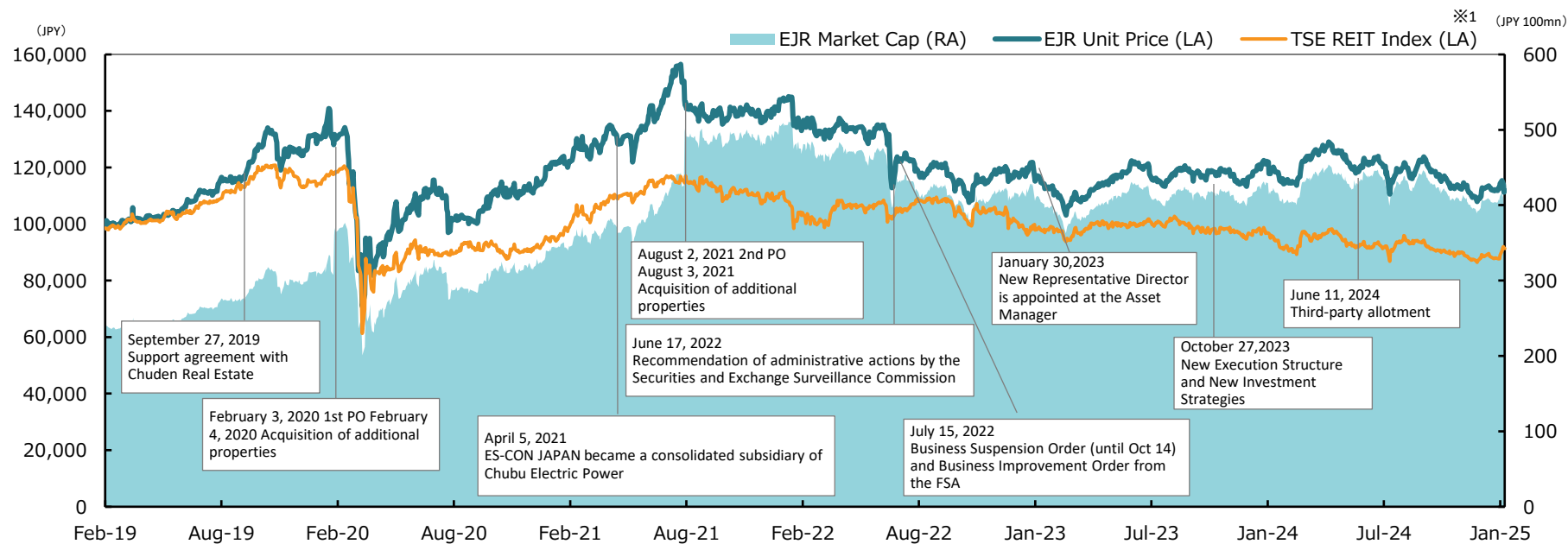


Top Ten Unitholders

	Unitholders	Number of units held	Ownership ratio
1	Custody Bank of Japan, Ltd. (Trust Account)	38,978	10.8%
2	The Master Trust Bank of Japan, Ltd. (Trust account)	34,767	9.6%
3	ES-CON JAPAN Ltd.	16,894	4.7%
4	Osaka Co-sei Shinkin Bank	16,893	4.7%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	14,433	4.0%
6	Chuden Real Estate Co., Inc.	8,700	2.4%
7	Daido Shinyo Kumiai	6,415	1.8%
8	Kinkisangyo Shinkumi Bank	6,226	1.7%
9	Osaka Shoko Shinkin Bank	5,487	1.5%
10	THE SAIKYO BANK, LTD.	4,950	1.4%
Total		153,743	42.6

- **17,119** units held by ES-CON Group as sponsors (including 16,894 units held by ES-CON JAPAN, and 225 units held by ES-CON Living Service, a subsidiary of ES-CON JAPAN)
- **8,700** units held by Chuden Real Estate as a support company
→ **25,819 units (7.2%) held by Chubu Electric Power group**

Unit price trend



(JPY)										
Feb 13, 2019 (listing date) Issue price	Feb. 3, 2020 1st PO	Aug. 2, 2021 2nd PO	Jul. 30, 2021	Jan. 31, 2022	Jul. 31, 2022	Jan. 31, 2023	Jul. 31, 2023	Jan. 31, 2024	Jul. 31, 2024	Jan. 31, 2025
101,000	124,029	145,282	150,100	134,900	119,800	115,200	116,200	118,700	118,600	111,700

Forecast Dividend Yield

Forecast dividend yield*2 EJR **6.26 %** J-REITs Average 4.98 %



Overview of ESCON REIT

Trade name	ESCON JAPAN REIT Investment Corporation
Listing date	February 13, 2019 (Fiscal period ending January, July)
Sponsor	ES-CON JAPAN Ltd. (Consolidated Subsidiaries of Chubu Electric Power Co., Inc.)
Supporters	Chubu Electric Power Co., Inc. Chuden Real Estate Co., Inc.
Main Investment Targets	Lifestyle-Focused Commercial facilities
Credit Rating	R&I (Rating and Investment Information, Inc.) A- Stable
Asset Management Company	ES-CON ASSET MANAGEMENT Ltd.
Total number of investment units issued	360,667

Overview of Portfolio

Assets Under Management (Acquisition price basis)	37 properties , JPY 70.3 billion
Target Investment Areas (Acquisition price basis)	Hokkaido region 1.8%, Tokyo metropolitan area 16.1%, Chubu region 0.7%, Kinki region 49.4%, Kyushu region 21.3%, Other area 10.6%
Occupancy Rate	99.7%

IR Contacts

IR	The Department of Finance and Control, ES-CON ASSET MANAGEMENT
Email	ir@esconam.jp
Phone	+81-3-6230-9338
Address	The Okura Prestige Tower 20F, 2-10-4, Toranomon, Minato-ku, Tokyo, 105-0001, Japan

Asset Management Company

Company name	ES-CON ASSET MANAGEMENT Ltd.
Representative	Wataru Orii President & Representative Director
Founded	July 2014
Capital Funds	JPY 100 million
Shareholder	ES-CON JAPAN Ltd. 100%
Types of businesses	Asset Management Business
Licenses	<ul style="list-style-type: none"> Real Estate Transactions: Tokyo Metropolitan Governor (3) No. 97008 Financial Instruments Business: Kanto Local Finance Bureau Registration No. 2825 Discretionary Transaction Agent License: Minister of Land, Infrastructure, Transport and Tourism, Certification No. 105
Memberships	The Investment Trusts Association, Japan

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- * The "Occupancy rate" is calculated by the calculation formula below based on data as of January 31, 2025 and rounded down to the nearest first decimal place. The same applies below.
Occupancy rate = Leased area / Leasable area × 100

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- *1 The "Scheduled acquisition price" does not include consumption tax, local consumption tax, or various expenses required for acquisition. The same applies below.
- *2 The appraisal value in the real estate appraisal reports with a valuation date of February 28, 2025 is stated. The amounts are rounded down to the nearest JPY million.
- *3 "Appraisal NOI yield" is the ratio of the net operating income in the 1st fiscal period to the scheduled acquisition price based on the DCF method as stated in the real estate appraisal report with February 28, 2025 as the date of value, rounded to the first decimal place.

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- *1 bp: Basis point (1bp = 0.01%). The same applies below.
- *2 "FFO" = (Net income - Gain or loss on sales of real estate properties + Depreciation). The same applies below.

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- *1 Figures presented for "Up for renewal," "Rent increases," "Rent declines," "No changes," and "Move-outs" are based on the number of tenants before the renewals of the contracts. In cases where units were merged upon contract renewals, the figures presented are also based on the number of tenants before the mergers. The figure for "Rent increases" does not include the number of cases where only percentage rents are increased, and the figure for "Amounts of rent increases" do not include percentage rents.
- *2 The figures for the end of the 15th FP and the 16th FP do not match as there were contract renewals that involved unit mergers.

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- * "Expected ratios of borrowings with fixed interest rates" have been calculated on the assumption that the borrowings as of January 31, 2025 (JPY 33,091 million) and the borrowing associated with the acquisition of Kohnan tonarie Yamatotakada (leasehold land) (JPY 1,160 million) will be refinanced when they are due, and their interest rates will be fixed at the refinancing. It is not guaranteed that the interest rates on all borrowings will be fixed at the time of future refinancing.

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- *1 GRESB is an annual benchmarking assessment to measure ESG (Environment, Social and Governance) integration of real estate companies and funds, as well as the name of organization which runs the assessment. It was founded in 2009 by a group of major European pension funds who played leading roles in launching Principles for Responsible Investment (PRI).
- *2 DBJ Green Building is a certification system that was newly established in April 2011 by Development Bank of Japan Inc. (DBJ) as an initiative to support its customers' environmentally and socially conscious management of their real estate ("Green Building").

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- * Each figure is aggregated for a January–December period each year and covers only the land and building properties owned by ESCON REIT in each period whose data are available.

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- *1 The four properties owned by ESCON REIT, namely tonarie Minami-senri, tonarie Seiwadai, tonarie Yamtotakada, and tonarie Toga-Mikita. The same applies below.
- *2 All 21 full-time employees as of January 31, 2025 are subject. Part-time executives and employees, as well as temporary employees, are not included.

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- *1 Interested parties are those defined in the Asset Manager's Interested Party Transaction Rules.
- *2 Those in which a third parties other than the interested parties are the subject are called "bridges" and those in which the interested parties are the subject are called "warehousing".
- *3 When transferring assets under management to an interested party at a price less than the appraisal value, it must be possible to explain the reasonableness of the gap between the appraisal value and the transfer price, and the reason why it was determined that the transfer should be implemented (including the basis for determining the reasonableness of the gap between the transfer price and the appraisal value) must be explained in the timely disclosure of the transfer.
- *4 In the case of a transaction with an interested party, 4 directors who are not members of the committee are also required to attend the meeting.
- *5 If the property falls under the category of healthcare facilities (which refer to serviced housing for the elderly set forth in Article 5 of the Act on Securement of Stable Supply of Elderly Persons' Housing, paid nursing homes set forth in Article 29 of the Act on Social Welfare for the Elderly, or elderly group homes for those with dementia based on Paragraph 6 of Article 5-2 of the same law), the Investment Management Committee will obtain a report on the property from an external expert prior to the resolution and make an investment decision based on the report after obtaining advice from the external expert as necessary.
- *6 If the acquisition draft plan constitutes a transaction with an interested party under the Investment Trust Law, prior approval from ESCON REIT's Board of Directors should be obtained.
- *7 No meetings were held to share information in advance and to explain the agenda items of the Board of Directors meetings in advance.
- *8 No meetings were held to share information in advance and to explain the agenda items of the Board of Directors meetings in advance.
- *9 Apart from Compliance Committee, one separate meeting was held for the purpose of prior information sharing and prior explanation of agenda items at Compliance Committee.
- *10 Apart from Investment Management Committee, two separate meetings were held for the purpose of prior information sharing and prior explanation of agenda items at Investment Management Committee.

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- *1 The "Appraisal NOI yield before depreciation" is the ratio of the net operating revenue for the first period under the DCF method as stated in the real estate appraisal reports with a valuation date of January 31, 2025, to the acquisition price, and the "Appraisal NOI yield after depreciation" is the ratio of the net operating revenue under the DCF method as stated in the same real estate appraisal reports excluding depreciation to the acquisition price, rounded to one decimal place. Depreciation used to calculate the appraisal NOI yield after depreciation is the annualized depreciation for the fiscal period ending July 2025 for assets owned as of January 31, 2025 (depreciation for capital expenditures for the fiscal period ending July 2025 is not taken into account).
- *2 The "Appraisal value" of "Asumigaoka Brand-New Mall" is listed separately for the commercial building as (1) and the separate building (which refers to the building that was acquired without consideration from Akindo Sushiro Co., Ltd. on April 30, 2024.) as (2).

Page 38

- *1 If the date of termination or expiration of the contract with the tenant is at the end of the fiscal period, the next day (the next term) is the cancellation date. Excluding rental housing of Yoshizuya Y Store Nishiharu. Changes in business type involving the transfer of the same tenant's parcel are included in the two types of cancellations and attracting new tenants.
- *2 For existing tenants.
- *3 Rent increase (number of tenants during the period, total amount during the period)" shows the number of tenants who started to increase rent during the 16th FP and the total amount of rent increase.
- *4 Rent Reduction (number of tenants during the period, total amount during the period)" shows the number of tenants who implemented rent reductions during the 16th FP and the total amount of rent reductions (including tenants who started rent reductions before the 15th FP).

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- *1 Average remaining lease term based on leasable areas as of January 31, 2025, rounded to first decimal place.
- *2 Average remaining lease term based on contract rents and common charges as of January 31, 2025, rounded to first decimal place.
- *3 Average remaining lease term based on leasable area for each property as of January 31, 2025, rounded to first decimal place.

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- * J-REIT's Average - Refer to the Japan Exchange Group: REIT Investor Survey (January 15, 2025)

Page 41

- *1 Benchmarked the closing price on the IPO date of ESCON REIT.
- *2 The forecast dividend yield is calculated by dividing the sum total of the distributions forecasts for 17th FP and 18th FP by the investment unit (closing price) as of January 31, 2025.
The average forecast dividend yield of all J-REITs is the market capitalization-weighted average forecast annualized dividend yield disclosed in the REIT monthly Report (for January 2025) of the Japan Exchange Group.

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This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

