



11th
Fiscal Period
(ended July 31, 2022)

ES CON JAPAN REIT Investment Corporation

Securities code : **2971**

Financial Results Presentation Material

ES CON JAPAN REIT 



1	Administrative Disposition from the Financial Services Agency	2	5	Growth Strategy	30
	Apology and Report	3		Track Record and Growth Strategy	31
	Details of the administrative disposition	4		Partnerships with Sponsor and Support Companies	32
	Facts leading to the administrative disposition	5	6	Financial Strategy	33
	Status of Improvements Related to Business Improvement Order	6-14		Financial Status and Basic Policy	34
	Executive Summary	15	7	ESG Strategy	25
2	Overview of ESCON REIT	16		Formulation of materiality (Key Issues)	36
	Management Philosophy and Corporate Overview	17		ESG Initiatives	37- 39
	Historical Unit Price	18	8	Status of Unitholders	40
3	Financial Results Summary and Features	19		Status of unitholders as of 11th Fiscal Period(as of July 31, 2022)	41
	Overview of Profit and Loss Statement of 11th Fiscal Period (ended July 31, 2022)	20		Appendix	42
	Overview of Portfolio (Leasehold land)	21		Balance Sheet	43
	Overview of Portfolio (Lifestyle-focused commercial facilities)	22		Profit and Loss Statement	44
	Contract Status with Tenants	23		Income and Expenditure	45
4	Earnings Forecast	24		Overview of Appraisal Value as of the end of 11th Fiscal Period	46
	Forecast for 12th Fiscal Period (ending January 31, 2023)	25		Portfolio (as of July 31, 2022)	47
	Forecast for 13th Fiscal Period (ending July 31, 2023)	26		Remaining Lease Term	48
	Operational status of owned properties (Yoshizuya Y Store Nishiharu)	27-28		NAV Growth per Investment Unit	49
	Forecast for 12th/13th Fiscal Period DPU	29		FFO Payout ratio	50
				Outline of Sponsor and Support Companies	51
				Development Cases of Sponsor Company	52-53
				Business Partnership of Sponsor and Support Companies	54

1

Administrative Disposition from the Financial Services Agency





ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the “Asset Manager”), to which ESCON JAPAN REIT Investment Corporation (hereinafter, “ESCON REIT”) entrusts the management of its assets, received a Business Suspension Order and Business Improvement Order on July 15, 2022. Subsequently, a report summarizing the status of our business improvement measures (hereinafter, the “Business Improvement Report”) was submitted to the Commissioner of the Financial Services Agency on August 15, 2022 and was accepted.

We deeply apologize to our unitholders and all other concerned parties for the great concern and inconvenience we have caused. In consultation with the Asset Manager’s parent company, ES-CON JAPAN Ltd. (hereinafter, “ES-CON JAPAN”), and its ultimate parent company, Chubu Electric Power Co., Inc. (hereinafter, “Chubu Electric Power”), we will work to strengthen legal compliance and internal control systems further and endeavor to realize fair and appropriate business operations in order to regain the trust of all parties concerned.

ESCON JAPAN REIT Investment Corporation
Atsumu Sasaki, Executive Director

ES-CON ASSET MANAGEMENT Ltd.
Takeharu Kagiya, President and Representative Director



Background and Details of the administrative disposition to the Asset Manager

- Mid-January, 2022 Commencement of inspections by the Securities and Exchange Surveillance Commission
- June 17, 2022 Notice of Completion of inspections by the Securities and Exchange Surveillance Commission

● July 15, 2022 Administrative Disposition from the Financial Services Agency (Details)

Business Suspension Order (from July 15, 2022 to October 14, 2022)

Prohibition of entering into new asset management agreements and prohibition of giving management instructions concerning the acquisition of real estate (including real estate trust beneficial interests)

Business Improvement Order

- (i) To fully explain the details of this administrative disposition to the Investment Corporation's unitholders concerning this matter and take appropriate measures.
- (ii) In order to realize fair and appropriate business operations as a management company of investment corporation asset, to clarify its management stance regarding compliance with laws and regulations, etc., to establish a responsible compliance system and internal control system run by its management team, and to review its methods of business operation to steadily achieve these objectives.
- (iii) To investigate the cause of this incident and then formulate concrete measures to prevent recurrences, including establishing an adequate framework for managing conflicts of interest, such as clarifying the internal processes for verifying the appropriateness of decision management business.
- (iv) To clarify where responsibility lies, including that of management, based on the results of this inspection.
- (v) To report in writing by August 15, 2022 on the state of response regarding items (i) through (iv) above and to provide written reports as required until all the responses have been completed.

- August 15, 2022 Submission a Business Improvement Report to the Financial Services Agency



Facts leading to the administrative disposition

● Improper attempts to undermine the independence of a real estate appraiser

When the Asset Manager has ESCON REIT acquire real estate owned by interested parties such as the parent company, it asks a third-party real estate appraiser to appraise the property in question, and determines the acquisition price of said real estate using the appraised value as the upper limit. However, with regard to the three real estate properties for which the interim report or estimated amount of the appraisal value presented by the real estate appraiser did not meet ES-CON JAPAN's desired sales price, the Asset Manager prioritized ES-CON JAPAN's desired sales price, communicated it to the appraiser, and lobbied the appraiser to increase the appraisal value so that it would exceed the preferred sales price.

● Improper real estate appraiser selection process

When requesting real estate appraisals of multiple properties to be acquired from ES-CON JAPAN, the Asset Manager obtained estimates of real estate appraisal values from multiple real estate appraisers by intending to get appraisal values above the ES-CON JAPAN's desired selling price, and negotiated with the appraiser who provided the highest estimate (hereinafter, the "said real estate appraiser") among them so that the said real estate appraiser would have the lowest appraisal fee compared to the other real estate appraisers. Furthermore, the Asset Manager selected the said real estate appraiser for the appraisal based on the fact that the said real estate appraiser's fee was the lowest while concealing that the said real estate appraiser had provided the highest estimated real estate value.



These actions were found to be in violation of the "duty of loyalty" stipulated in Article 42, Paragraph 1 of the FIEA.



Business Improvement Order (1)

To fully explain the details of this administrative disposition to the Investment Corporation's unitholders concerning this matter and take appropriate measures.

Announcement as a timely disclosure Action Taken (Continual)*

To facilitate the prompt, accurate, and fair disclosure of information key to investment decisions, ESCON REIT has issued the following notices relating to administrative actions as timely disclosure. We will continue striving to make disclosures about these matters promptly and appropriately to allow unitholders to make appropriate decisions.

- "Notice Concerning Administrative Disposition Against the Asset Manager", dated July 15, 2022.
- "Notice Concerning Submission of Business Improvement Report by the Asset Manager", dated August 15, 2022.
- "Notice Concerning Adoption of Declaration of Compliance by the Asset Manager", dated August 31, 2022.

* Actions performed continuously without set deadlines are marked with "Action Taken (Continual)." Hereinafter, the same applies.

Business Improvement Order (2)

In order to realize fair and appropriate business operations as a management company of investment corporation asset, to clarify its management stance regarding compliance with laws and regulations, etc., to establish a responsible compliance system and internal control system run by its management team, and to review its methods of business operation to steadily achieve these objectives.

(2-1) Clarification of the Management Stance on Compliance with Laws and Regulations

a. Adoption and announcement of the "Compliance Declaration" Action Taken

In order to clarify its management stance on compliance with laws and regulations internally and externally, the Asset Manager adopted and announced the "Compliance Declaration." on August 31, 2022.

b. Publicly announcement of "Management Philosophy" externally Ongoing (to be completed by September 2022)

In regard to the highest priorities for the interests of investors, prevention of conflicts of interest, implementation of proper governance, and fair and appropriate business operations, etc., the Asset Manager plans to make institutional decisions at the Board of Directors and publicize them externally in a "Management Philosophy" and other forms. Based on these administrative actions, the Asset Manager will encourage all of its officers and employees to consider and discuss the basic values that relate to what kind of company we aspire to be in the future and publish them in the form "Management Philosophy."



c. Conducting Comprehensive Training Sessions Ongoing (to be completed by September 2022)

Regarding this administrative action and the business improvement plan in response to it, the management team will issue a clear message internally and conduct comprehensive training sessions.

An internal meeting attended by all employees at the Asset Manager was held on August 23, 2022, where the President and Representative Director and the Compliance Officer issued statements confirming the company's commitment to addressing improvement measures relating to the recent administrative actions earnestly as a top priority, promoting compliance management with the most serious emphasis on protecting unitholders, fostering better company culture, and working on restoring trust. Training for entire employees relating to the business improvement plan is scheduled for September 2022.

(2-2) Establishment of responsible legal compliance and internal control systems by management

a. Changes in the composition of the Board of Directors Ongoing (to be completed by October 2022)*

The composition of the board of directors was changed on March 24, 2022, and June 28, 2022, to ensure the governance system is sufficient to prevent influence from the Sponsor and conflicts of interest. Furthermore, Minoru Nakanishi, who serves as Senior Managing Director of the Parent Company, is scheduled to resign as a director for the Asset Manager.

* In the release dated August 15, 2022, Nakanishi was due to resign on September 26, 2022. However, he is expected to leave in early October due to the appointment date of a successor.

Composition of the Board of Directors as of March 24, 2022

1. Representative Director Takeharu Kagiya
2. Director Hiroshi Tokunaga
3. Director Minoru Nakanishi (who serves as Senior Managing Director of ES-CON JAPAN)
4. Auditor Hiroyuki Suzuki (who serves as the head of the internal audit office of ES-CON JAPAN)



Composition of the Board of Directors as of June 28, 2022

1. Representative Director Takeharu Kagiya
2. Director Hiroshi Tokunaga
3. Director Minoru Nakanishi (who serves as Senior Managing Director of ES-CON JAPAN)
4. Director who is a member of the Audit and Supervisory Committee Masaki Sakamoto
5. Director who is a member of the Audit and Supervisory Committee Hiroshi Matsumoto
6. Director who is a member of the Audit and Supervisory Committee Megumi Nakadozono (who serves as Executive Officer and General Manager of the Administration Department of ES-CON JAPAN)

- Recognition of the urgent need to improve the compliance system in the inspection process in addition to the composition of the board of directors (one director dedicated to the Asset Manager), which has been an issue with respect to the governance system for some time
- Appointment of Takeharu Kagiya as Representative Director, replacing Former President Satoshi Omori
- Appointment of Hiroshi Tokunaga, the Asset Manager's Compliance Officer, as director, in place of former director Takatoshi Ito (President and Representative Director of ES-CON JAPAN), to further strengthen compliance practices, emphasizing its importance as one of the essential management issues

- Recognizing the need to comprehensively strengthen the audit and supervisory functions of the Board of Directors based on the inspection's findings, the system has shifted from one Corporate Auditor system to a Company with an Audit and Supervisory Committee, where an Audit and Supervisory Committee audits directors' execution of duties.
- Of the three directors who are members of the Audit and Supervisory Committee, two are outside directors, one of whom is a lawyer from the Ministry of Finance, and another is a former partner of KPMG AZSA LLC and a certified public accountant.
- Minoru Nakanishi is to step down as a director of the Asset Manager in line with the business improvement plan to prevent thoroughly influence from the Sponsor.



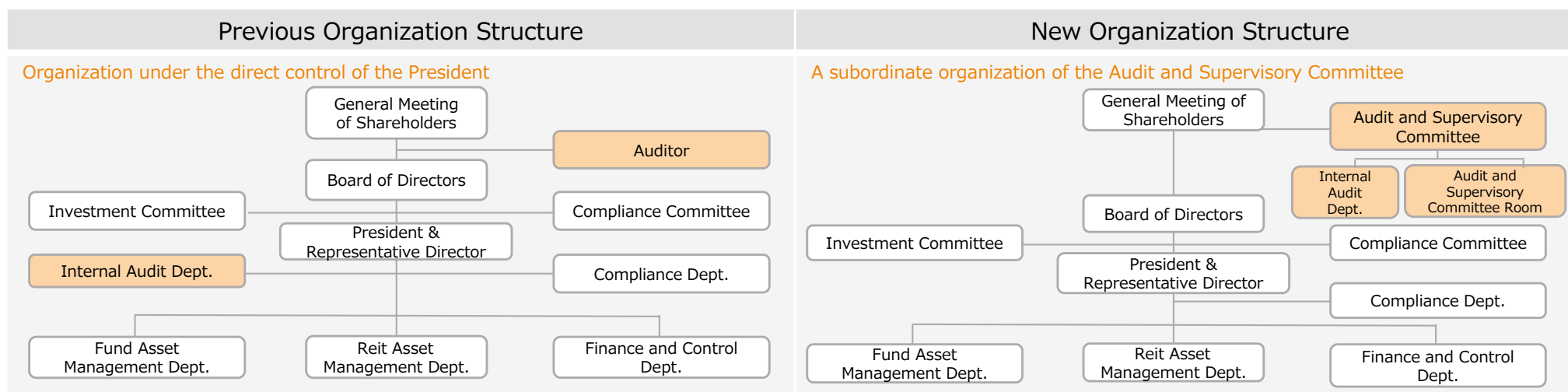
b. Transition to a company with Audit and Supervisory Committee **Action Taken**

In order to ensure that the governance function of the Board of Directors is properly exercised and to strengthen the auditing function by adding an outside director with voting rights, the Asset Manager has shifted from a system with one Corporate Auditor to an Audit and Supervisory Committee system, as of June 28, 2022.

c. Internal Audit Department has been reorganized into a subordinate organization of the Audit and Supervisory Committee **Action Taken**

In order to enhance the independence of internal audits, strengthen its check-and-balance function, and give appropriate support to the operations of the Audit and Supervisory Committee, as of June 28, 2022, the Internal Audit Department was changed from a department directly under the Representative Director to an organization under the Audit and Supervisory Committee. This change enables the Audit and Supervisory Committee to ascertain the implementation status of internal audits in a timely manner and report to the Board of Directors. Through this system change, the Asset Manager will ensure the effectiveness of internal audits and soundly implement solutions and improvements that arise from audit results.

As of June 28, 2022 Transition to a company with Audit and Supervisory Committee and system change of Internal Audit Department



d. Change of Members of the Investment Committee and Compliance Committee **Action Taken**

In order to ensure the fairness, objectivity, and propriety of the Investment Committee's and Compliance Committee's decision-making, as well as strengthen checks and balances regarding conflicts-of-interest transactions and ensure the propriety of the Asset Manager's operations regarding real estate appraisals, the members of the Investment Committee and the Compliance Committee have been reviewed and changed.



Investment Committee

Composition of the Investment Committee as of March 24, 2022

1. Chairperson (Representative Director) Takeharu Kagiya
2. Member (External member as real estate appraiser) Etsuto Kimura
3. Member (General Manager of Reit Asset Management Dept.) Atsumu Sasaki
4. Member (Division Director of Finance and Control Dept.) Katsushi Wakayama
5. Member (General Manager of Finance and Control Dept.) Yuki Yoshida
6. Member (Compliance Officer) Hiroshi Tokunaga*1

*1 Hiroshi Tokunaga is obligated to attend the meetings but does not have voting rights.

Composition of the Investment Committee as of June 1, 2022

1. Chairperson (Representative Director) Tetsuya Saito
2. Member (External member as real estate appraiser) Etsuto Kimura
3. Member (Representative Director) Takeharu Kagiya
4. Member (General Manager of Reit Asset Management Dept.) Atsumu Sasaki
5. Member (Division Director of Finance and Control Dept.) Katsushi Wakayama
6. Member (General Manager of Finance and Control Dept.) Yuki Yoshida
7. Member (Compliance Officer) Hiroshi Tokunaga*1
8. Member (Deputy General Manager of Compliance Dept.) Noboru Kohara*2

*2 Hiroshi Tokunaga has rights to attend the meetings but does not have voting rights.

Amending the regulation as of August 24, 2022

Added a clause to the Investment Committee Regulations:
"Directors who are Audit and Supervisory Committee members may attend meetings. However, they must be present when deliberating property acquisitions from interested parties. Directors who are Audit and Supervisory Committee members shall not have voting rights."

- Appoint a new committee chair who is an external member in addition to an external member who is a real estate appraiser to enhance specific and individual deliberation functions in light of the administrative actions
- The external member who chairs the committee has been involved in the J-REIT market since its inception and has extensive experience in the management, governance, and investment management of asset management companies and expertise in real estate and other investment management decisions
- Resolutions at committee meetings require the approval of two external members, and external members have veto power
- Increase the number of members to include the Deputy General Manager of the Compliance Department, who is dedicated to the Asset Manager, to create a system more conscious of compliance
- New provision that stipulates directors who are members of the Audit and Supervisory Committee have the right and obligation to participate in the Investment Committee as observers

Compliance Committee

Composition of the Compliance Committee as of March 24, 2022

1. Chairperson (Compliance Officer) Hiroshi Tokunaga
2. Member (External member as attorney) Yusuke Aso
3. Member (Representative Director) Takeharu Kagiya

Composition of the Compliance Committee as of June 30, 2022

1. Chairperson (Compliance Officer) Hiroshi Tokunaga
2. Member (External member as attorney) Yusuke Aso
3. Member (Representative Director) Takeharu Kagiya
4. Member (Deputy General Manager of Compliance Dept.) Noboru Kohara

Amending the regulation as of August 24, 2022

Added a clause to the Compliance Committee Regulations:
"Directors who are Audit and Supervisory Committee members may attend meetings. However, they must be present when deliberating property acquisitions from interested parties. Directors who are Audit and Supervisory Committee members shall not have voting rights."

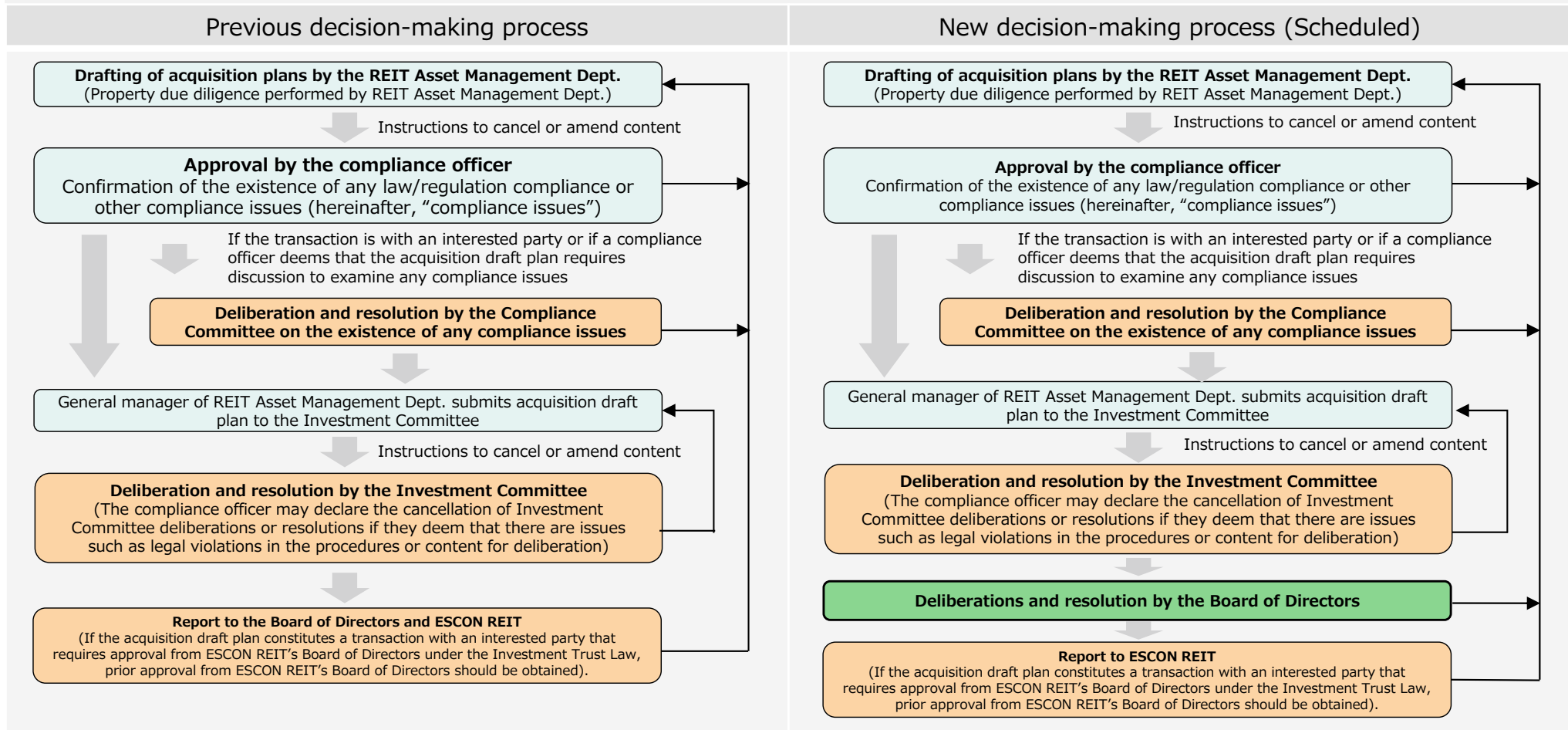
- In order to create a more compliance-conscious structure, adding a new Deputy General Manager of the Compliance Department dedicated to the Asset Manager as a member of the Investment Committee and the Compliance Committee.
- New provision that directors who are members of the Audit and Supervisory Committee have rights and obligation to participate in Compliance Committee meetings as observers.



(2-3) Review of Business Operation Methods

a. Board of Directors Ongoing (to be completed by September 2022)

- The Asset Manager submitted the Business Improvement Report to the Financial Services Agency after deliberation and resolution by the Board of Directors. The Board will promote the steady implementation and monitoring of the improvement plan.
- The Asset Manager established specific rules in the form of the "Property Acquisition Standards" and "Property Acquisition Operations Manual" in June 2022. In addition, The Asset Manager plans to revise the "Property Acquisition Operations Manual" (see (3-2) a. mentioned later).
- In the conventional institutional decision-making process, property acquisition from interested parties was resolved through approval from the Board of Directors of ESCON REIT after resolutions by the Compliance Committee and Investment Committee. Going forward, The Asset Manager intend to amend the relevant rules to add a resolution by the Board of Directors to the conventional process to facilitate the checking function of the two outside directors, who are Audit and Supervisory Committee members.





b. Audit and Supervisory Committee Action Taken(Continual)

- Take responsibility for auditing the directors' execution of duties, and monitor whether the directors are properly executing their duties with regard to the formulation of a business improvement plan in response to the administrative action, as well as the sound execution and monitoring of the plan. Audit and Supervisory Committee will execute the audit based on the audit plan for fiscal 2022 decided on at an Audit and Supervisory Committee held on June 28, 2022.
- Cooperate with the Internal Audit Department and the Compliance Department to monitor whether the business improvement plan is being properly implemented internally.
- Attend meetings of the Investment Committee and the Compliance Committee as observers as necessary, and audit the status of the directors' execution of their duties in relation to the sound implementation of the business improvement plan.

On August 24, 2022, the following clause was added to the Investment Committee regulations and Compliance Committee regulations to expand the auditing function against conflicts-of-interest transactions while ensuring the separation of the audit and execution of duties: "Directors who are Audit and Supervisory Committee members may attend meetings. However, they must be present when deliberating property acquisitions from interested parties. Directors who are Audit and Supervisory Committee members shall not have voting rights."

In addition, the following clause was added to the Audit and Supervisory Committee regulations to allow Audit and Supervisory Committee members to attend other meetings when necessary: "When necessary, Audit and Supervisory Committee members may attend internal meetings and express opinions. They shall also have the right to obtain documents required to execute auditing duties and to interview and ask questions to all officers and employees."

c. Improvements to the management of the Compliance Committee, Investment Committee, and ESCON REIT Board of Directors Action Taken(Continual)

With regard to decisions on property acquisitions, provide sufficient explanations prior to the stage of considering an acquisition, and prepare and store the minutes of meetings with more appropriate content.

In the past, the Asset Manager could not provide external members and Supervisory Directors with necessary and sufficient information for deliberations and prior consideration time. To improve this point, the Asset Manager will now provide a sufficient prior explanation from the consideration stage and keep records for important matters, such as those related to property acquisition.



Business Improvement Order (3)

To investigate the cause of this incident and then formulate concrete measures to prevent recurrences, including establishing an adequate framework for managing conflicts of interest, such as clarifying the internal processes for verifying the appropriateness of decision management business.

(3-1) Causes of this incident

The direct cause of this incident is that until now, the Asset Manager and the Parent Company have had an extremely low level of awareness regarding the fulfillment of their duty of loyalty to give top priority to the interests of their investors. As a result, the Asset Manager failed to eliminate the influence of the Parent Company, and gave top priority to acquiring properties at the purchase price desired by the Parent Company, thereby engaging in improper conduct. We also recognize the following things as causes. Governance did not function adequately in the Asset Manager's organization. The system for monitoring and supervising transactions with interested parties was inadequate. The Asset Manager's executives and staff, including its management team, lacked awareness regarding compliance with laws and regulations. And its human resources were insufficient.

(3-2) Measures to Prevent a Recurrence

a. Changes to the ordering work rules of real estate appraisal services Ongoing (to be completed by September 2022)

We have added a rule to our internal regulations, the Property Acquisition Operations Manual, that states that the seller's desired sale price must not be communicated to the real estate appraiser when contracting a real estate appraisal. In addition, we intend to add an appropriate rule to the Property Acquisition Operations Manual for selecting real estate appraisal contractors through a comparison of multiple real estate appraisers.

b. Strengthen monitoring of operations for the ordering of real estate appraisals by the Compliance Department Ongoing (to be completed by September 2022)

We intend to add the following additional rules to the Property Acquisition Operations Manual: Representatives from the Compliance Department must be present at meetings with real estate appraisers regarding real estate appraisals of properties ESCON REIT is considering acquiring; Email exchanges with real estate appraisers must also be sent to the Compliance Department; Due to such monitoring, the compliance officer can order to cancel the ordered real estate appraisal of a property by the real estate appraiser in question should there be any inappropriate behavior.

c. Clarification of internal processes for verifying the appropriateness of decision-making related to the investment management business Ongoing (to be completed by September 2022)

In order to grasp, adequately check, and supervise the actual status of the operations of the department that carries out property acquisitions, the Asset Manager will clarify the matters to be deliberated at the meetings of the Compliance Committee and the Investment Committee. With regard to acquisitions from interested parties, the Compliance Committee and the Investment Committee should establish examination agendas related to conflicts of interest to be deliberated and ensure to deliberate on such agendas at each meeting. The Compliance Department should check such agendas in advance to ensure smooth deliberation by the Compliance Committee.



d. Establishment of a new interested party transaction system for real estate transactions with ES-CON JAPAN Ongoing (to be completed by September 2022)

To ensure a place for equal negotiations and prevent the influence of ES-CON JAPAN in negotiations with ES-CON JAPAN, we will discuss with ES-CON JAPAN and establish common negotiation rules for real estate transactions pertaining to ES-CON JAPAN and other interested parties in the ESCON Group. We intend to establish procedures and rules to manage conflicts of interest appropriately, build a system to ensure compliance with relevant procedures and rules, and record a series of negotiation processes to maintain the system capable of responding to third-party investigations afterward.

e. Securing Human Resources Ongoing(Continual)

To ensure the retention of human resources, the management team will internally express and promote an emphasis on operational efficiency, education, and training.

Until June 2021, the Compliance Department had two staff (one of whom is a full-time employee), but we increased the number to four (two of whom are full-time employees) as of September 2022.

When business is busy, for example, due to property acquisition work, while ensuring there is an appropriate assignment of personnel, we will secure the personnel needed to rebuild our internal control system to work continuously to improve.

f. Further investigation of the cause of the incident and enhancing measures to prevent recurrence in cooperation with Chubu Electric Power and ES-CON JAPAN Ongoing (to be completed by September 2022)

We will work on clarifying the facts and further investigating the cause of this incident in cooperation with Chubu Electric Power and ES-CON JAPAN, using the knowledge of outside experts. And based on the results, we will further enhance our internal control systems and measures to prevent a recurrence.

g. Maximize the use of the Chubu Electric Power Group's joint helpline Action Taken(Continual)

We have established three points of contact as an internal reporting system for the ESCON JAPAN Group: one internal, one external (a law firm), and the Chubu Electric Power Group Joint Helpline. We are working continuously to ensure how to use the system known by employees. By making all executives and employees of the Asset Manager thoroughly aware of the Chubu Electric Power Group Joint Helpline once again, we will work to maximize the use of this system so that the executives and employees can use it without hesitation and thereby prevent illegal and improper acts.

h. Training and awareness-raising for ongoing improvement of the conflict-of-interest management system Ongoing (to be completed by September 2022)

We will conduct various training programs to continuously improve our conflict-of-interest management system. We will conduct proficiency tests as appropriate to measure the effectiveness of training.



Business Improvement Order (4)

To clarify where responsibility lies, including that of management, based on the results of this inspection.

Ongoing (to be completed by October 2022)

- Of the three previous directors, Representative Director Satoshi Omori and Director Takatoshi Ito, who concurrently serves as Representative Director of the Parent Company, resigned on March 24, 2022.
- Minoru Nakanishi, Senior Managing Director of ES-CON JAPAN, is scheduled to resign from the Asset Manager's Director position in early October, 2022.*
- Atsumu Sasaki, Senior Executive Officer and General Manager of the Reit Asset Management Department, is scheduled to resign from his position as an Employee Specified by a Cabinet Order (Supervisor of Investment Decision Making Operations) by early October 2022, once a successor who fulfills the requirements is in office.*

* In the release dated August 15, 2022, Nakanishi was due to resign on September 26, 2022, and Atsumu Sasaki was due to resign on September, 2022. However, they are expected to leave and be replaced by a successor in early October due to the appointment date of a successor.

Future Policies

We will steadily strive to implement the above improvement plan as our top priority.

Through business improvement measures, we will work to further strengthen legal compliance and internal control systems and endeavor to realize fair and appropriate business operations in order to regain the trust of all parties concerned.



1

Highlights for 11th Fiscal Period (ended July 31, 2022)

- After the withdrawal of the major tenant of Yoshizuya Y Store Nishiharu (former Pare Marche Nishiharu), we signed with YOSHIZUYA COMPANY LIMITED. Although we were able to attract a new tenant without any downtime, the level of rent dropped
The earnings forecast was revised on July 4, 2022, due to various agreements resulting from the change of major tenant
- Contracts were signed with the new tenants of tonarie Yamatotakada, including Akachan Honpo Co., Ltd., to open in June 2022, resulting in the property's occupancy rate rising from 93.3% to 100%

2

Financial Results Summary

- 11th Fiscal Period (ended July 31, 2022) DPU : 3,604 yen
(increase by 133 yen or 3.8% from previous forecast of 3,471 yen)

3

Earnings Forecast

- 12th Fiscal Period (ended January 31, 2023) DPU 3,201 yen
- 13th Fiscal Period (ended July 31, 2023) DPU 3,218 yen

4

Growth Strategy

- Steady implementation of the business improvement plan in consultation with Chubu Electric Power and ES-CON JAPAN. Further strengthening of legal compliance and internal control systems and realization of fair and appropriate business operations to regain trust
- Continue to focus on tenant leasing of the 3rd floor of Yoshizuya Y Store Nishiharu to improve profitability
- After making preparations, improve unitholder value by continuing to acquire properties and replace assets to achieve our medium-term target of securing 100 billion yen in assets at the earliest possible time
- Promote further ESG initiatives based on the ESG materiality that we have established

2

Overview of ESCON REIT





Profile

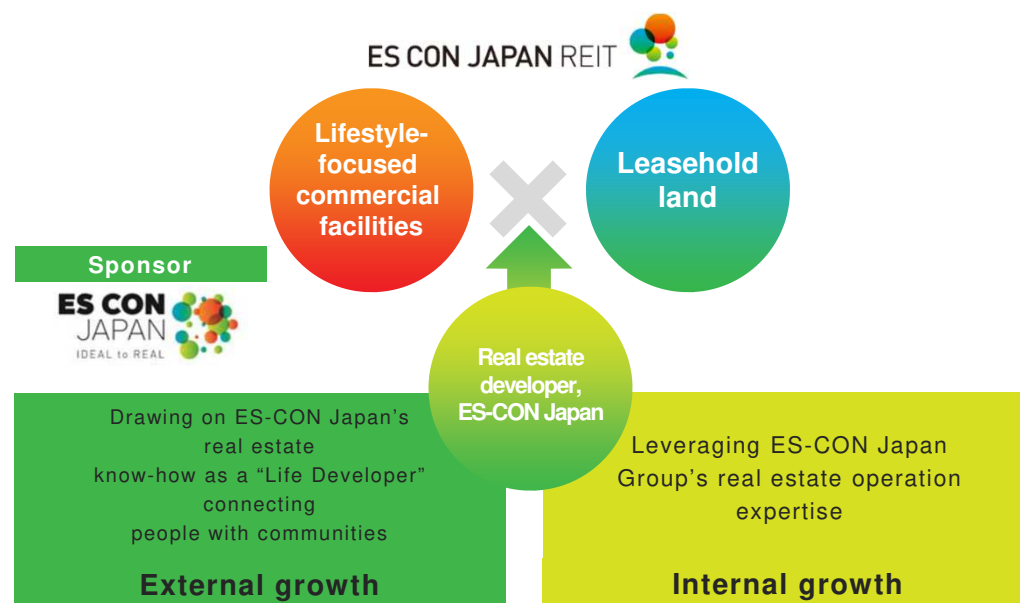
Trade name	ESCON JAPAN REIT Investment Corporation
Listing date	February 13, 2019 (Fiscal period ending January, July)
Sponsor	ES-CON JAPAN Ltd. (Consolidated Subsidiaries of Chubu Electric Power Co., Inc.)
Supporter	Chubu Electric Power Co., Inc. Chuden Real Estate Co., Inc.
Main investment target	Lifestyle-Focused Commercial facilities Leasehold land
Credit Rating	R&I(Rating and Investment Information, Inc.) A – Stable
Asset Management Company	ES CON ASSET MANAGEMENT
Total number of investment units issued※1	351,967

Portfolio

Asset size (Acquisition price basis)	69.6 billion yen, 38 properties
Target investment areas (Acquisition price basis)	Four major metropolitan areas(Tokyo :11.1%, Kinki:49.4%, Chukyo:7.3%, Fukuoka:14.9%) Other areas:17.2%
Occupancy Rate	99.9%

Management Philosophy of ESCON REIT

ESCON REIT shares the same “Vision Concept” as ES-CON Japan Ltd. (“ES-CON Japan”) –be a “Life Developer” that develops not only buildings but also the lives of those who live in them while thinking of their happiness. By drawing on property development and management expertise of ES-CON Japan, we aim to maximize unitholder value through consistently expanding our AUM.



Supporter



中部電力



中電不動産

Chubu Electric Power Group delivers the energy that is indispensable to people's lives and also contributes to the development of society

2. Overview of ESCON REIT



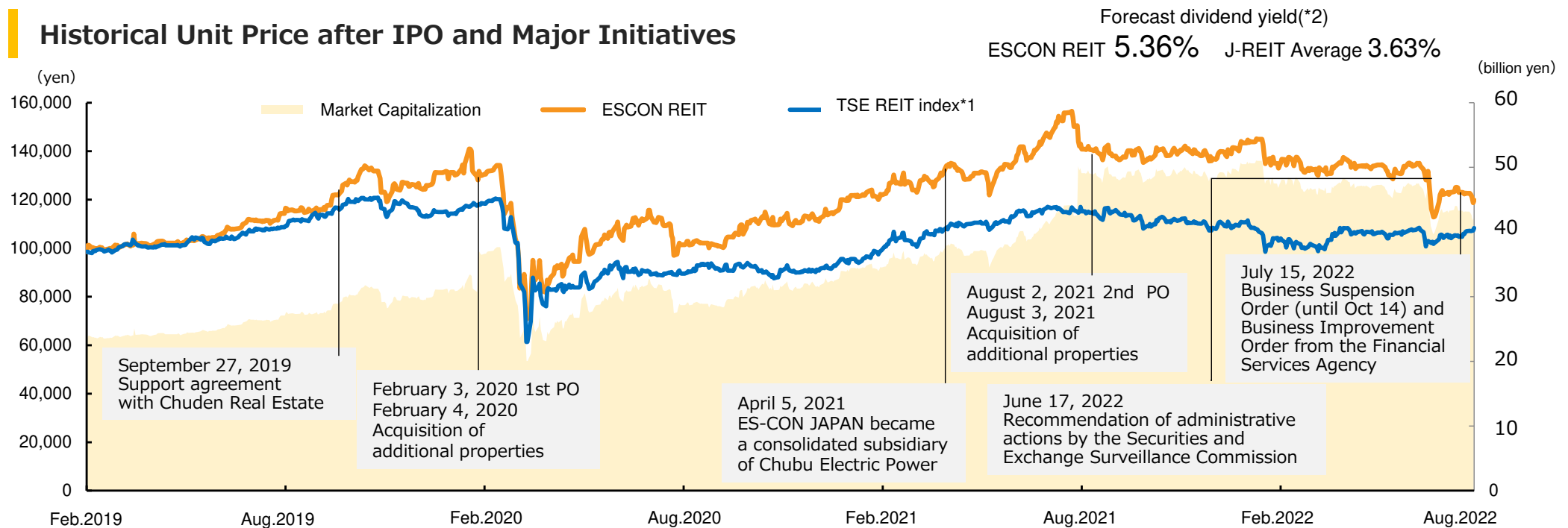
Historical Unit Price

ES CON JAPAN REIT



February 13, 2019 (listing date) Issue price	February 3, 2020 1st PO price	August 2, 2021 2nd PO price	July 30, 2021 Closing price	January 31, 2022 Closing price	July 31, 2022 Closing price
101,000 yen	124,029 yen	145,282 yen	150,100 yen	134,900 yen	119,800 yen

Historical Unit Price after IPO and Major Initiatives



5th Fiscal Period 2019/2/1~2019/7/31	6th Fiscal Period 2019/8/1~2020/1/31	7th Fiscal Period 2020/2/1~2020/7/31	8th Fiscal Period 2020/8/1~2021/1/31	9th Fiscal Period 2021/2/1~2021/7/31	10th Fiscal Period 2021/8/1~2022/1/31	11th Fiscal Period 2022/2/1~2022/7/31
Occupancy Rate 99.7%	99.9%	99.8%	99.8%	99.5%	99.7%	99.9%

*1 Benchmarked the closing price on the IPO date of ESCON JAPAN REIT.

*2 The forecast dividend yield is calculated by dividing the sum total of the distributions forecasts for the fiscal periods ending January 31, 2023 and July 31, 2023 by the investment unit price (closing price) as of July 31, 2022. The average forecast dividend yield of all J-REITs is the market capitalization-weighted average forecast annualized dividend yield disclosed in the monthly REIT Report (for July 2022) of the Japan Exchange Group.

3

Financial Results Summary and Features



3. Financial Results Summary and Features

Overview of Profit and Loss Statement of 11th Fiscal Period (ended July 31, 2022)

After the earnings forecast was revised due to the receipt of an amount equivalent to the restoration costs of Yoshizuya Y Store Nishiharu, DPU was 3,604 yen (+133 yen over forecast) due to the progress of the water leak work at tonarie Seiwadai and the change to the timing of repair work.

Earnings Performance for the 11th Fiscal Period(ended July 31, 2022)

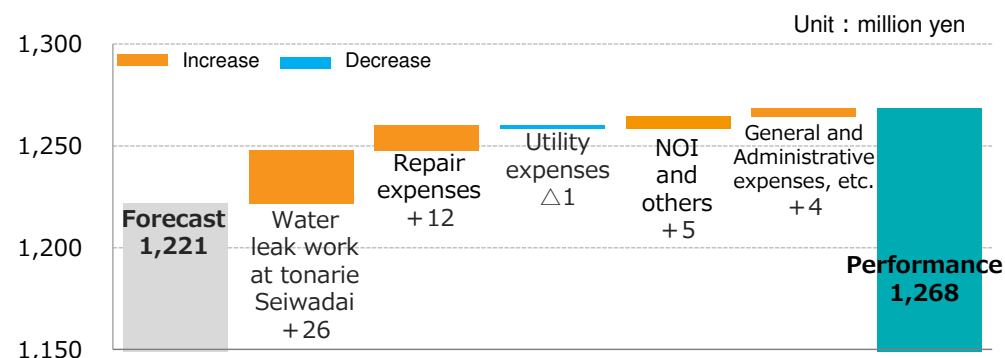
Unit : million yen

	10 th Fiscal Period Performance ended January 31, 2022 (a)	11 th Fiscal Period Forecast As of July 4, 2021 (b)	11 th Fiscal Period Performance ended July 31, 2022 (c)	vs. Previous period (c-a)	vs. Forecast (c-b)
Operating revenues	2,476	2,692	2,706	229	13
Operating income	1,506	1,336	1,382	△124	46
Ordinary income	1,265	1,222	1,269	3	46
Net income	1,264	1,221	1,268	3	46
DPU	3,593 yen	3,471 yen	3,604 yen	11 yen	133 yen
Depreciation	174	176	175	1	△1
NOI after depreciation	1,682	1,545	1,587	△94	42
NOI yield after depreciation	4.8%	4.5%	4.6%	△0.2%	0.1%
Number of operating days	184 days	181 days	181 days	△3 days	0 day

Main reasons for fluctuation in net income (vs. Forecast)

Unit : million yen

● Water leak work at tonarie Seiwadai	Insurance income for water leak work due to heavy rain: + 6 million yen Fixed compensation to tenants: + 19 million yen	+26
● Repair expenses	Decrease due to delay in implementation (due to procurement of parts) and cost reduction	+12
● Utility expenses	Increase in utility expenses	△1
● NOI and others	Increase in sales-linked rent, etc	+5
● General and Administrative expenses, etc.	Decrease in various expenses	+4
Total (net income) vs. Forecast		+46



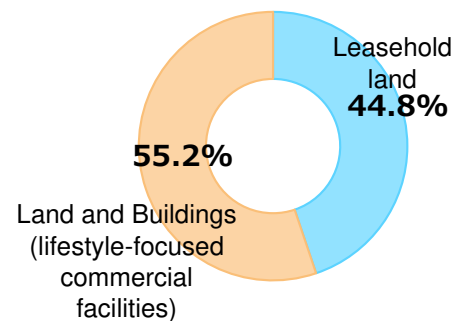
Overview of Portfolio (Leasehold land)

Stability through long-term remaining contract terms, high creditworthiness of tenants, and a tenant composition that is hard to be influenced by COVID-19

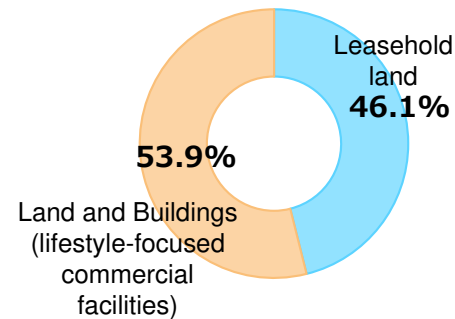
Overview of leasehold lands

Asset type

(Based on acquisition price)

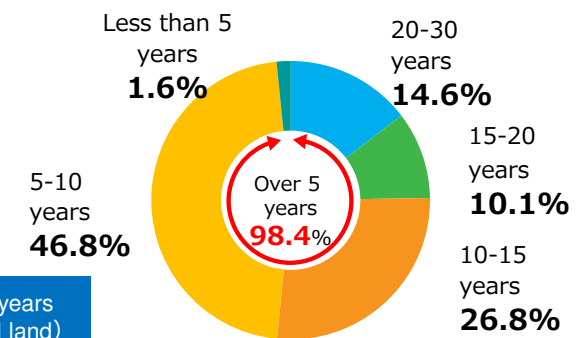


(Based on NOI after depreciation*)



Remaining lease term for leasehold land*

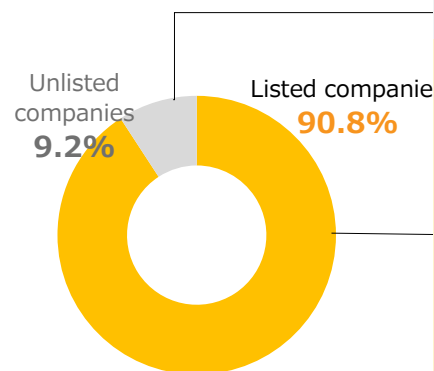
(Based on leasable area)



Average 12.7 years
(only leasehold land)

Leasehold land tenants*

(Based on rent revenue)



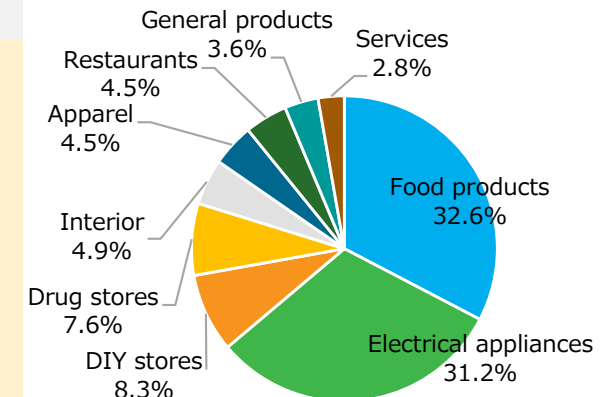
Leasehold land properties rented by unlisted companies

- | | |
|---|--|
| 1 Tsutaya Sakai-minami (General products) | 4 TRIAL Omihachiman (Food products) |
| 2 One-Karubi Kasuga (Restaurants) | 5 DRUG Yutaka Mukokamiueno (Drug stores) |
| 3 Suke-san Kasuga (Restaurants) | 6 Ikaritombo Ikaruga (Services) |

Leasehold land properties rented by listed Companies

- | | |
|---|---|
| 1 LAMU Kitatsumori (Food products) | 14 Cocokara Fine Neyagawakoen (Drug stores) |
| 2 Sanyo Marunaka Mitani (Food products) | 15 Nitori Tsuchiura (Interior) |
| 3 LIFE Daisen (Food products) | 16 Nitori Imaichi (Interior) |
| 4 MaxValu Kikyogaoka-higashi (Food products) | 17 UNIQLO Kasuga (Apparel) |
| 5 MrMax Kasuga (Food products) | 18 Avail.Shimamura Kasuga (Apparel) |
| 6 K's Denki Oyumino (Electrical appliances) | 19 Kura Sushi Kasuga (Restaurants) |
| 7 K's Denki Nishi-kobe (Electrical appliances) | 20 Konpira Maru Kasuga (Restaurants) |
| 8 K's Denki Kurashiki (Electrical appliances) | 21 McDonald's (Asumigaoka) (Restaurants) |
| 9 K's Denki Kasuga (Electrical appliances) | 22 Sushiro (Asumigaoka) (Restaurants) |
| 10 YAMADA DENKI Tecc Land Sapporo Shiroishi (Electrical appliances) | 23 GEO Hikone Takamiya (General products) |
| 11 NAFCO Kasuga (DIY stores) | 24 au-Softbank Kasuga (Services) |
| 12 Kusuri no Aoki Ikaruga (Drug stores) | 25 docomo Shop Kasuga (Services) |
| 13 WELCIA Amagasaki Mukomotomachi (Drug stores) | 26 ENEOS Ikawadani SS (Services) |

(Based on rent revenue)



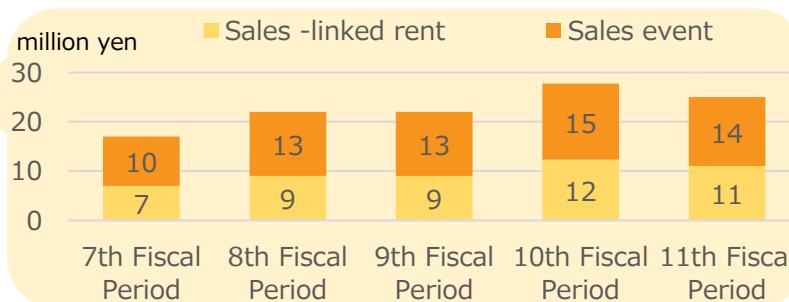
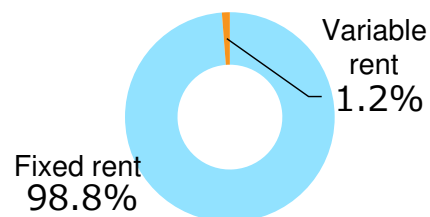
* The figures show the ratios as of July 31, 2022. 32 leasehold land includes 2 leasehold lands of Asumigaoka (No.21, No.22).



Stability of rent composition due to high fixed rent ratio and tenant composition that is hard to be influenced by COVID-19

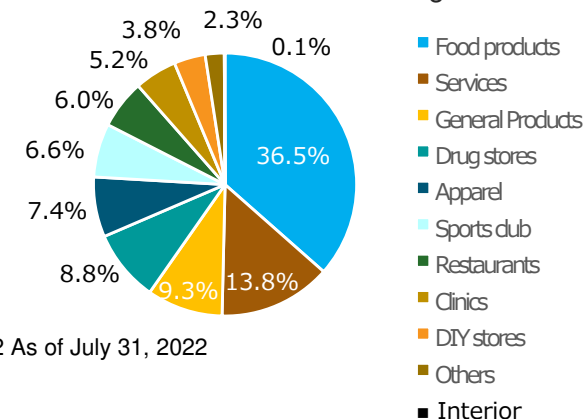
Ratio between fixed and variable rents ^{*1}(based on rent revenues)

(Ratio between fixed and variable rents at 38 properties including leasehold lands)



^{*1} The variable rent includes rent linked with event revenues and sales

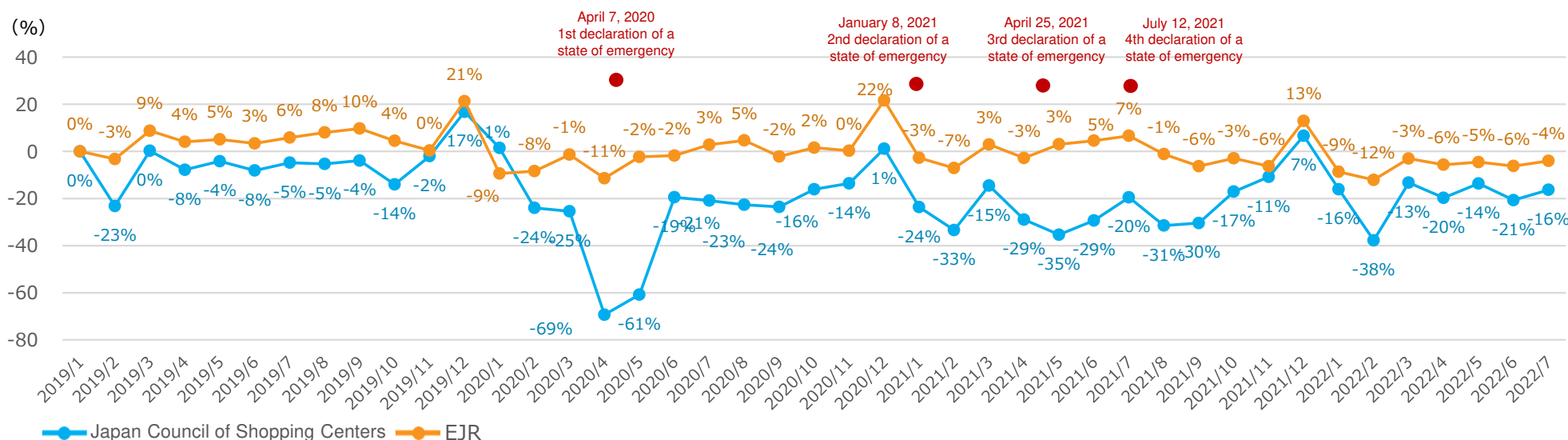
Category of tenants ^{*2} (based on contract rent + common charges)



^{*2} As of July 31, 2022

Comparison of sales per square meter of owned properties ^{*3} (percentage increase/decrease is calculated based on January 2019)

Compared to domestic shopping centers ^{*4} as a whole, sales of ESCON JAPAN REIT's commercial facilities have been stable



^{*3} "Owned properties" refers only to the group of properties held by ESCON JAPAN REIT for which sales figures can be disclosed.

^{*4} Refers to properties that fit the definition of a shopping center provided by the general incorporated association, Japan Council of Shopping Centers. (<https://www.jcsc.or.jp/>)

Contract Status with Tenants

Continual minor effects of COVID-19 on commercial facilities linked to daily life

Request for rent reduction/payment extension, terminations, new tenants*1

- ES-CON Property as a property management company talked individually with tenants and closely understood their status to minimize the impact of rent reduction
- Also, 31 leasehold land*2 are included in the table below. In the 7th fiscal period (ended July 31, 2020), we received requests from two leasehold land tenants in the food and beverage industry to reduce or exempt their land rent, but we did not agree to the reductions. Subsequently, there were no requests for termination, rent reduction, or payment extension from any of the leasehold land tenants

Fiscal Period	New rent reduction requests ³	Actual number of rent reduction and amount ³	New payment extension requests	Actual number of payment extension	Number of terminations or move-out*4 (tenant category)	New tenants*4 (tenant category)
7th Fiscal Period ended July 31, 2020	115 tenants (include payment extension requests)	52 tenants 4,705 thousand yen	— (included in New rent reduction requests)	16 tenants	2 tenants (Services 1 tenant) (Apparel 1 tenant)	3 tenants (Services 1 tenant) (Food products 1 tenant) (Restaurants 1 tenant)
8th Fiscal Period ended January 31, 2021	8 tenants	3 tenants 17 thousand yen	0 tenant	0 tenant	5 tenants (Services 1 tenant) (Restaurants 4 tenants)	5 tenants (Services 2 tenants) (Restaurants 2 tenants) (Food products 1 tenant)
9th Fiscal Period ended July 31, 2021	10 tenants	6 tenants 512 thousand yen	0 tenant	0 tenant	3 tenants (Food products 1 tenant) (General Products 1 tenant) (Apparel 1 tenant)	2 tenants (Food products 1 tenant) (General Products 1 tenant)
10th Fiscal Period ended January 31, 2022	6 tenants	7 tenants 782 thousand yen	0 tenant	0 tenant	3 tenants (General Products 2 tenants) (Restaurants 1 tenant)	5 tenants (Services 1 tenant) (General Products 3 tenants) (Food 1 tenant)
11th Fiscal Period ended July 31, 2022	5 tenants	3 tenants 1,230 thousand yen	0 tenant	0 tenant	3 tenants (Apparel 1 tenant) (Services 1 tenant) (Food products 1 tenant)	3 tenants (General Products 1 tenant) (Food products 1 tenant) (Services 1 tenant)

*1 Excluding rental housing of Yoshizuya Y Store Nishiharu.

*2 Includes two lots with leasehold land in Asumigaoka Brand-New Mall. Ikaritombo Ikaruga and Kusuri no Aoki Ikaruga are considered as one property.

*3 "New rent reduction requests" indicate the number of tenants who received new requests for rent reduction during the period. The "Actual number of rent reduction and amount" indicates the number of tenants for whom rent reductions were performed during the period.

*4 "Number of terminations or move-out" indicates the number of tenants for which the contract with the relevant tenant expires before the end of the fiscal period, with the next day (the following fiscal period) as the cancellation date. In the case of the same tenant's change of business type involving a change of plot, the number of tenants is included in termination and new tenant attraction, respectively.

4

Earnings Forecast





Factoring in refinancing costs and reviewing the increase in utility expenses, we assume a distribution of 3,201 yen (-75 yen from the previous forecast)

Forecast for 12th Fiscal Period (ending January 31, 2023)

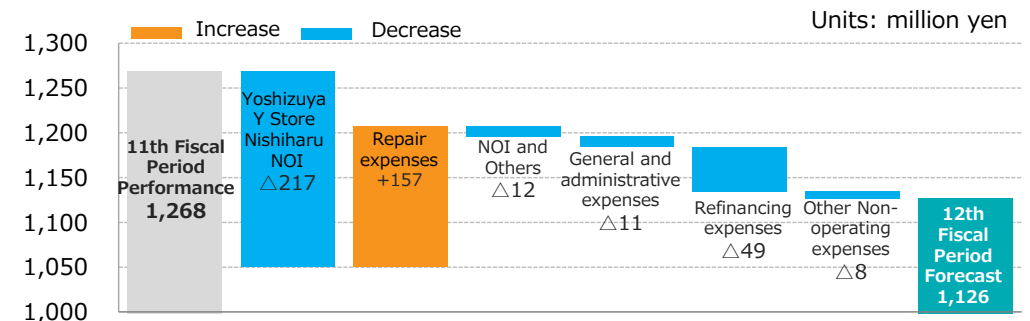
Units: million yen

	11th Fiscal Period Performance As of July 31, 2022 (a)	12th Fiscal Period Forecast as of March 16, 2022 (b)	12th Fiscal Period Forecast as of September 14, 2022 (c)	vs. Forecast (c-b)	vs. Previous Period (c-a)
Operating revenues	2,706	2,444	2,480	35	△225
Operating income	1,382	1,325	1,298	△27	△84
Ordinary income	1,269	1,154	1,127	△26	△141
Net income	1,268	1,153	1,126	△26	△141
DPU	3,604 yen	3,276 yen	3,201 yen	△75 yen	△403 yen
Depreciation	175	180	180	0	4
NOI after depreciation	1,587	1,535	1,515	△20	△72
NOI yield after depreciation	4.6%	4.4%	4.3%	△0.1%	△0.3%
Number of operating days	181 days	184 days	184 days	0 day	3 days

Main reasons for fluctuation in net income (vs. Previous Period)

Units: million yen

Yoshizuya Y Store Nishiharu NOI	Decrease of the amount equivalent to restoration costs received from major tenants, etc.	△217
Repair expenses	Decrease of repair expenses concentrated in the 11th Fiscal Period (excluding Nishiharu)	157
NOI and Others	Increase in utility expenses due to higher fuel adjustment costs, increase in depreciation costs, etc.	△12
General and administrative expenses	Increase in outsourcing expenses and other general and administrative expenses	△11
Refinancing expenses	Refinancing costs of 9.86 billion yen loan scheduled for January 2023	△49
Other Non-operating expenses	Interest expenses, etc.	△8
Total (net income) vs. Previous Period		△141





Factoring in the increase in repair costs and utility expenses, we assume a distribution of 3,218 yen

Forecast for 13th Fiscal Period (ending July 31, 2023)

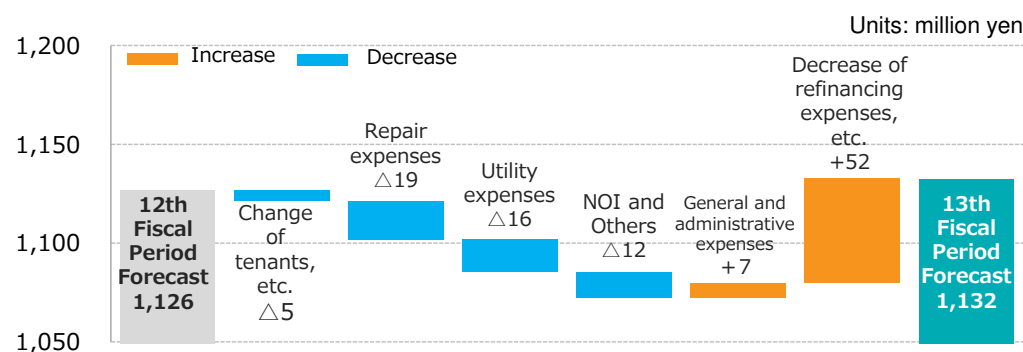
Units: million yen

	12th Fiscal Period Forecast as of September 14, 2022 (a)	13th Fiscal Period Forecast as of September 14, 2022 (b)	vs. Previous Forecast (b-a)
Operating revenues	2,480	2,473	△6
Operating income	1,298	1,251	△46
Ordinary income	1,127	1,133	5
Net income	1,126	1,132	5
DPU	3,201 yen	3,218 yen	17 yen
Depreciation	180	185	4
NOI after depreciation	1,515	1,461	△54
NOI yield after depreciation	4.3%	4.2%	△0.1%
Number of operating days	184 days	181 days	3 days

Main reasons for fluctuation in net income (vs. Previous Forecast)

Units: million yen

● Change of tenants, etc.	Temporary decrease due to change of tenants, etc.	△5
● Repair expenses	Increase of repair expenses	△19
● Utility expenses	Increase in utility expenses due to increase in fuel adjustment costs	△16
● NOI and Others	Increase in taxes and public dues due to higher tax base, increase in depreciation costs, etc.	△12
● General and administrative expenses	Decrease of General and administrative expenses, etc.	7
● Refinancing expenses, etc.	Decrease of expenses relating to 9.86 billion yen refinancing scheduled for January 2023, etc.	52
Total (net income) vs. Previous Forecast		5





Continue to focus on 3rd-floor leasing to improve profitability and conduct a multifaceted review with future asset replacement,etc. in mind

Overview of Yoshizuya Y Store Nishiharu

A commercial facility consisting of a supermarket, etc. directly connected to Nishiharu Station on the Meitetsu Inuyama Line. After the former major tenant left, Yoshizuya Y Store Nishiharu opened in May 2022.



Location	Kitanagoya-shi, Aichi
Land area	11,474.85m ²
Total floor area	47,179.93m ²
Completion date	September, 1994
Building construction	Steel-framed reinforced concrete and steel-framed structure with a flat roof and 13 stories (5 stories in the commercial)
Number of tenants	Commercial 1 + rental housing 56

Commercial building	
5F	Restaurants, Services etc.
4F	Household goods, Fitness etc.
3F	No tenant (allocation: approx. 700 tsubo)
2F	Drug store, Apparel, Shoes, Café etc.
1F	Supermarkets etc.

- ① Former tenant who rented the entire building (1st to 5th floors) left when the contract expired on April 20, 2022.
- ② Received an amount equivalent to restoration costs from the former tenant, which was recorded as earnings in a lump sum in the 11th Fiscal Period (earnings forecast revised on July 4, 2022).
- ③ As we signed with YOSHIZUYA COMPANY LIMITED (hereinafter, “Yoshizuya”), a new tenant was decided without the downtime and opened in May 2022.
- ④ The lease contract with Yoshizuya is for the entire building (1st to 5th floors) on a fixed rent basis.
- ⑤ However, rent is not being charged for the 3rd floor as the contract stipulates that fixed rent per tsubo based on the contracted area will be added as tenants occupy the vacant 3rd floor.
- ⑥ In the future, as leasing for the 3rd floor progresses and tenants begin subleasing from Yoshizuya, a fixed rent proportionate to the contracted area will be added.
- ⑦ The earnings forecasts for the 12th and 13th Fiscal Periods have conservatively not factored in additional rent for the 3rd floor.

4. Earnings Forecast



Operational status of owned properties(Yoshizuya Y Store Nishiharu)

ES CON JAPAN REIT



12th(ending January, 2023) and 13th(ending July, 2023) Fiscal Period Forecast

Units: million yen

	10 th Fiscal Period Performance	11 th Fiscal Period Performance	12 th Fiscal Period Forecast	13 th Fiscal Period Forecast	Difference between 12 th Fiscal Period and 10 th Fiscal Period	Difference between 12 th Fiscal Period and 11 th Fiscal Period	Difference between 13 th Fiscal Period and 12 th Fiscal Period	Main reasons for Difference
	a	b	c	d	c-a	c-b	d-c	
Number of operating days	184 days	181 days	184 days	181 days	±0 days	+ 3 days	△3 days	
Rent revenue-real estate	161	378	113	114	△47	△265	0	<ul style="list-style-type: none"> •The receipt of an amount equivalent to the restoration costs from former tenants was recorded as earnings for the 11th Fiscal Period •Rent from the new tenant was reflected from the 11th Fiscal Period (late April) •The earnings forecasts for the 12th and 13th Fiscal Periods have conservatively not factored in the backfill of the 3rd floor
Expenses related to rent business	26	102	53	50	26	△49	△2	
Management fees	6	16	22	22	16	6	△0	With the change of tenants in the 11th Fiscal Period, the burden classification of maintenance and management, including building facilities, etc., was changed from the tenant's to the owner's responsibility
Repair expenses	1	59	10	8	9	△49	△2	Restoration work on the 3rd floor is to be carried out with the change of tenants in the 11th Fiscal Period
Others	19	26	20	20	+0	△6	0	
Leasing NOI	134	276	60	63	△73	△215	2	An amount equivalent to the above restoration recorded as earnings contributed to an increase in NOI in the 11th Fiscal Period (temporary increase)
Depreciation	29	30	32	32	2	1	0	
Operating income	104	246	28	30	△76	△217	1	

*Includes revenue and expenditures for residential buildings

Appraisal Value

Units: million yen

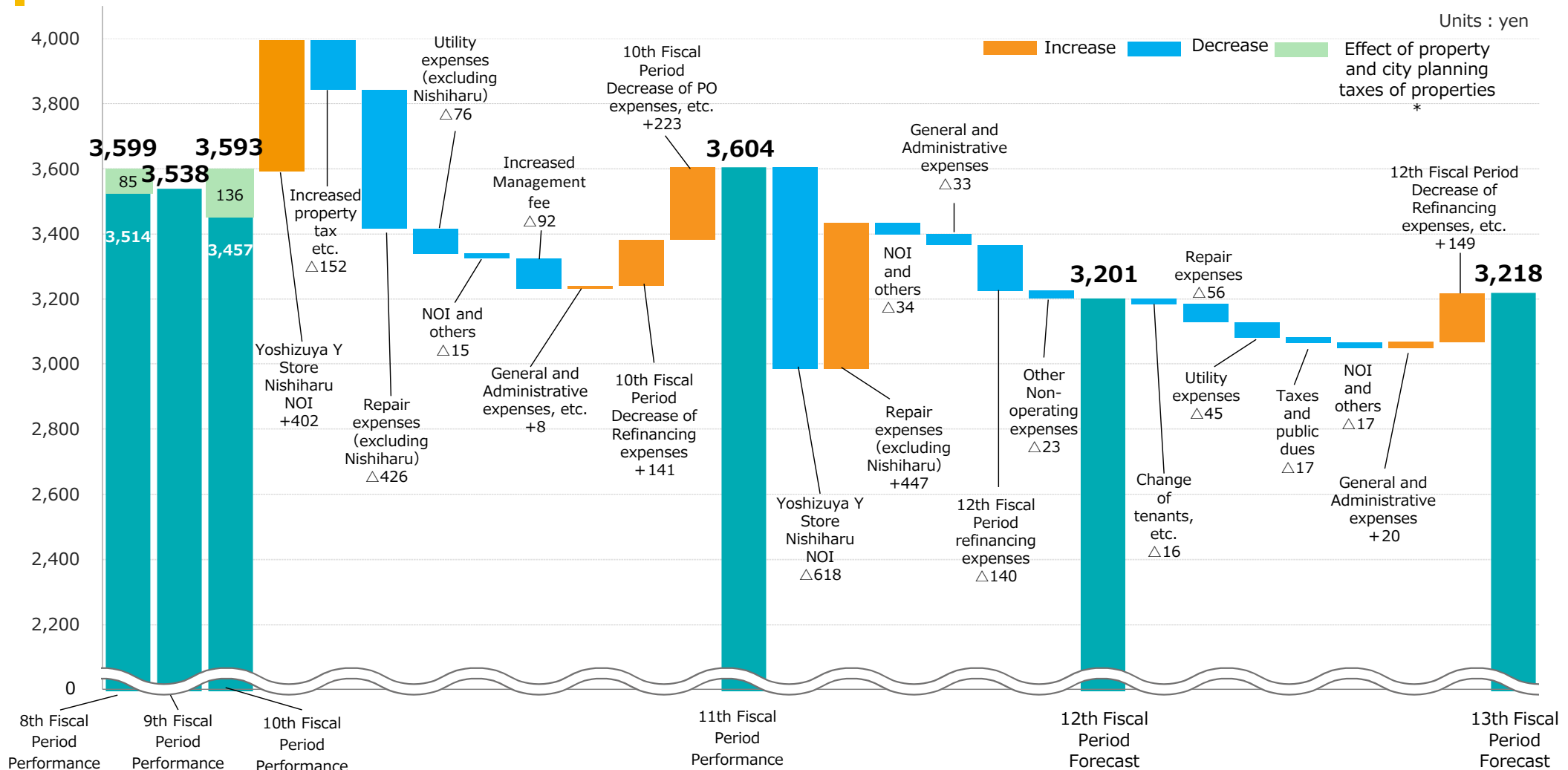
Acquisition price	Appraisal Value		Difference (B) – (A)
	January 31, 2022 (A)	July 31, 2022 (B)	
4,610	4,400	2,330	▲2,070

- ① Rental NOI decreased significantly, and appraisal value at the end of the period decreased substantially due to a decrease in rental income and the burden of maintenance and management, including building facilities, etc., changing from the tenant's to the owner's responsibility following the contract with Yoshizuya.
- ② We will continue to focus on 3rd-floor tenant leasing as a matter of urgency to improve profitability.
- ③ To optimize our future portfolio, we will conduct a multifaceted review with future asset replacement in mind.



Aim for stable transition through the dispersion of repair expenses, etc. despite impacts of tenant change at Yoshizuya Y Store Nishiharu

Transition of distribution and main factors of forecast



* Property and city planning tax expense for purchased properties that is borne by the buyer will not be accounted for as an expense but as part of book value. Property and city planning tax for 11 properties acquired in the 10th fiscal period is accounted for as an expense from the 11th fiscal period.

5 Growth Strategy





Focused effort on strengthening the management system to realize fair and appropriate business operations, aim for the expansion of external growth and scale of assets at a suitable occasion

Future operating policy

Management System

Strengthen legal compliance and internal control systems

With unitholders' interests as the top priority, we will focus on business improvement to steadily strengthen our position and work to realize fair and appropriate business operations to regain the trust of unitholders

ESG Policies Promotion

Strengthen initiatives utilizing the support of Chubu Electric Power Group

Promote initiatives to address materiality (Key Issues)

Improve stability of Financial Condition

R&I 「A-」(stable)
Aim to improve the rating further

Diversification of borrowing period and Consideration of fixed interest rate

Growth Driver

Using Sponsor's support

After business improvement, the Sponsor will continue to support us. We will continue to make use of the Sponsor's support to expand the scale of our assets to achieve medium- to long-term improvement of unitholder value.

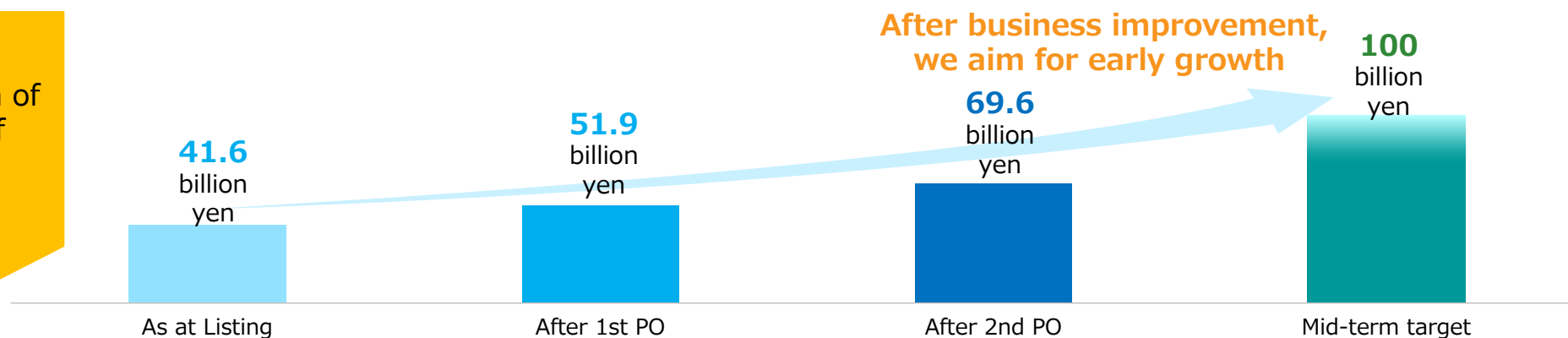
Enhanced Acquisition Capabilities and Portfolio Improvements

Aim to acquire new properties through the Asset Manager's own channels and optimize our portfolio through the replacement of existing assets, etc.

Expansion of Unitholders

Aim to regain the trust of unitholders by business improvement
Aiming for inclusion in FTSE EPRA Nareit

Expansion of Scale of Assets



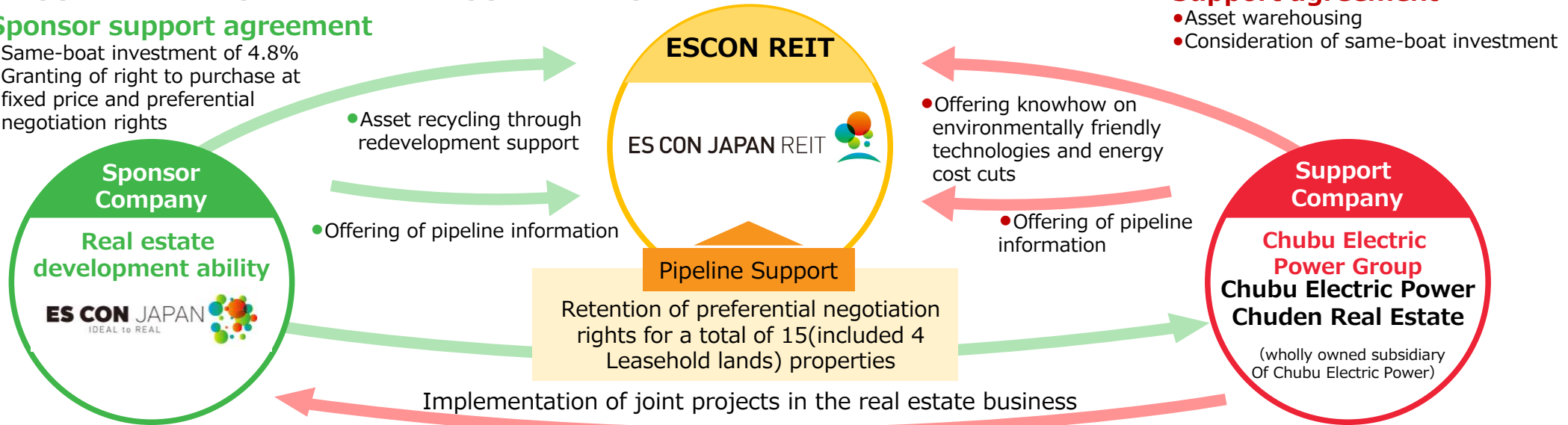


Aim to improve the company's position through the steady implementation of business improvement measures in consultation with Chubu Electric Power and ES-CON JAPAN

Support from sponsor and support companies

Sponsor support agreement

- Same-boat investment of 4.8%
- Granting of right to purchase at fixed price and preferential negotiation rights



- Investing in a 51.4% * stake, having a personnel appointed as director and loaning personnel to the ES-CON Japan Group

	Information sharing	Granting of right to purchase at fixed price and preferential negotiation rights	Asset warehousing	Redevelopment support	Green technology sharing	PMBM	Leasing support	Human resources support	Same-boat investment	Trademark licensing
ESCON-JAPAN	●	●	●	●	—	●	●	●	●	●
Chubu Electric Power	●	—	—	—	●	●	—	—	—	●
Chuden Real Estate	●	—	●	—	●	●	●	●	●	●

*On April 5, 2021, a capital increase through a third-party allotment was executed, and Chubu Electric Power became a further parent company (Specified Associated Corporation) of the parent company of the Asset Manager, holding 51.4% of the voting rights of ES-CON JAPAN (the percentage expected based on the total number of voting rights as of the end of June 2022).

6

Financial Strategy



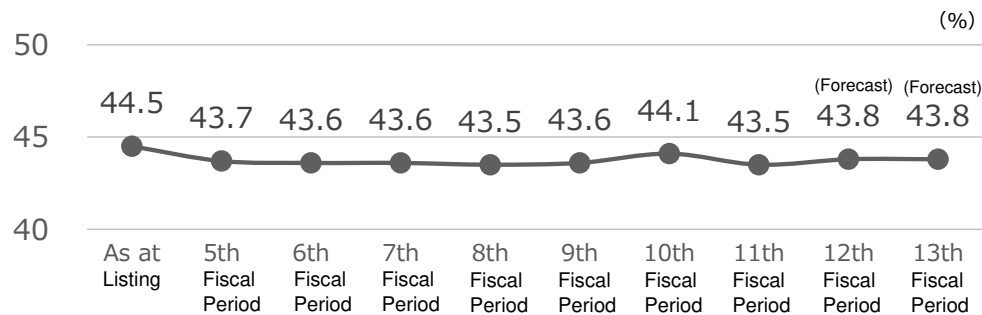
Aim to diversification of borrowing period by refinancing of 9,860-million-yen debt(scheduled on January 31, 2023)

Financial Highlights

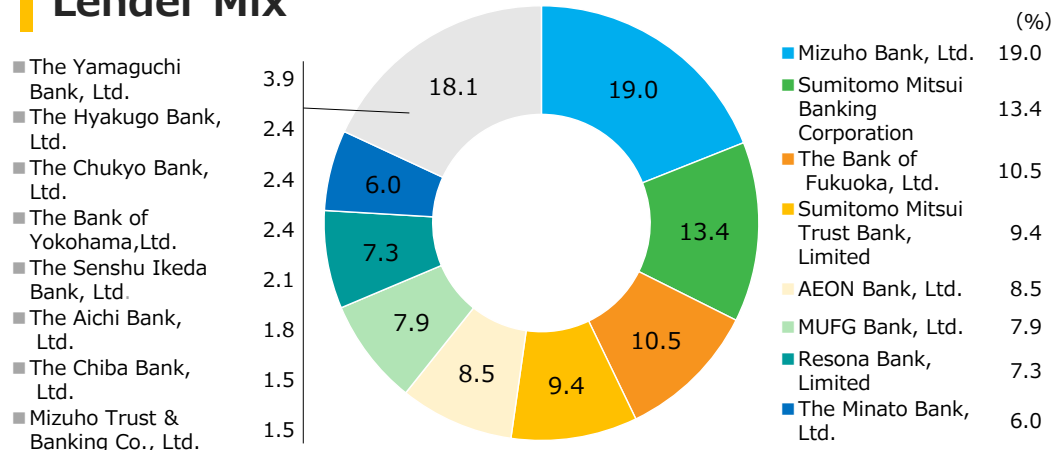
As of July 31, 2022

Total interest-bearing debt	33.09 Billion yen	Average remaining term	2.6 years
Average Interest Rate	0.50%	Ratio of long-term borrowings	100.0%

LTV Control



Lender Mix



Acquisition of Issuer Rating by R&I

「A-」 (stable)

Acquisition of issuer credit rating in November 2019, rating maintained in November 2021

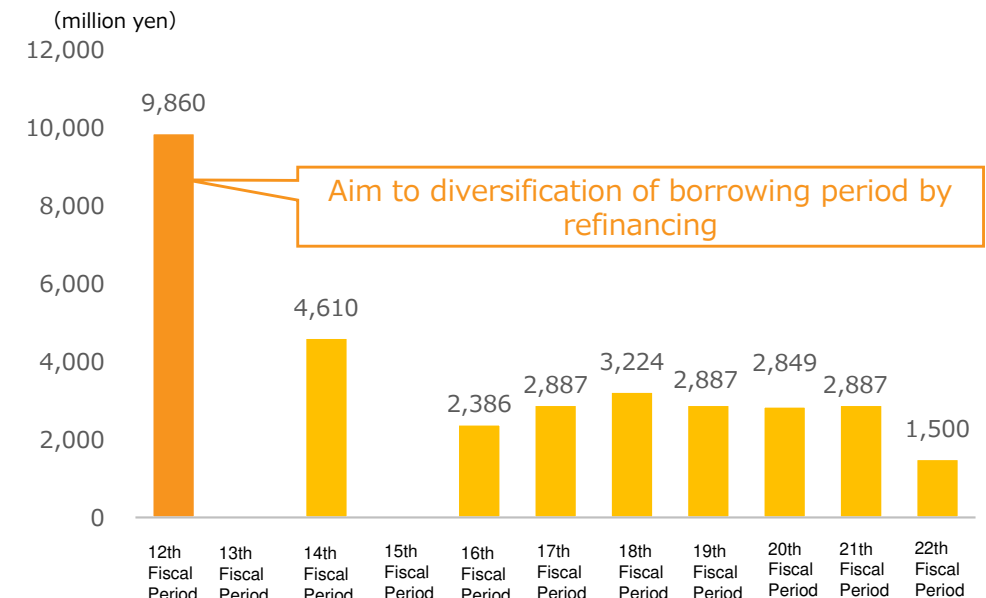
(Followings are referenced from the press release of R&I)

Despite the direct impact of the administrative disposition on the operation and financial affairs of existing properties being limited, the Sponsor pipeline-centered external growth strategy is inevitably affected. Rebuilding the governance system, including effective conflict of interest measures, will be a key factor in future rating assessments.

Unsecuring Existing Loans

On January 14, 2022, all of the REIT's existing loans were unsecured.

Debt repayment schedule



Aim to diversification of borrowing period by refinancing



ESG Strategy



Formulation of materiality (Key Issues)



	Key Issues	Policy	Direction/Measures	Relevant SDGs
E Environment	<ul style="list-style-type: none"> Reduce environmental impact 	<ul style="list-style-type: none"> Aim to improve the efficiency of energy consumption and reduce greenhouse gas emissions in the portfolio 	<ul style="list-style-type: none"> Continue to install LED lighting in common areas of facilities Introduction of groundwater membrane filtration system 	
	<ul style="list-style-type: none"> Acquire external certifications 	<ul style="list-style-type: none"> Strive to reduce environmental impact by obtaining environmental certifications and evaluations 	<ul style="list-style-type: none"> Continue efforts for GRESB certification Continue efforts to achieve DBJ Green Building Certification 	
	<ul style="list-style-type: none"> Take environmental issues into consideration through collaboration with tenants 	<ul style="list-style-type: none"> Aim to introduce green lease clauses in cooperation with tenants 	<ul style="list-style-type: none"> Introducing green lease clauses in new lease agreements (re-signing) 	
S Social	<ul style="list-style-type: none"> Coexist and cooperate with the local community 	<ul style="list-style-type: none"> Through contributions to the local community, aim to solve social issues and enhance local value. 	<ul style="list-style-type: none"> Host events with the participation of residents and tenants Efforts to certify as shopping districts supporting dementia Participation in the "Child-raising Support Passport Project" 	
	<ul style="list-style-type: none"> Improve safety and comfort for customers and tenants 	<ul style="list-style-type: none"> Aim to contribute to the local community by creating and maintaining safe and secure spaces 	<ul style="list-style-type: none"> Create new on-site breastfeeding areas Decorate tenant employee lounges 	
	<ul style="list-style-type: none"> Create a comfortable work environment 	<ul style="list-style-type: none"> Promote the creation of a favorable work environment to ensure employees' health and a fulfilling social life 	<ul style="list-style-type: none"> Conduct employee satisfaction surveys Create a work environment that emphasizes work-life balance 	
G Governance	<ul style="list-style-type: none"> Further strengthen governance 	<ul style="list-style-type: none"> To prevent fraud and corruption as an organization, promote clarification of governance structure and reinforcement of the system 	<ul style="list-style-type: none"> Strengthen governance systems Enhance compliance training 	
	<ul style="list-style-type: none"> Disclose information to stakeholders 	<ul style="list-style-type: none"> Foster a relationship of trust with stakeholders through proactive information disclosure and dialogue 	<ul style="list-style-type: none"> Further enhance non-financial information disclosure 	

E Environment

Reduce environmental impact

● Introducing a groundwater membrane filtration system

A groundwater membrane filtration system has been introduced in Asumigaoka Brand-New Mall, contributing to the reduction of environmental burdens and towards the achievement of a sustainable society.

- Securing a water supply channel in the event of a disaster to improve business continuity
- Offering drinking water to local inhabitants for free in the event of a disaster (scheduled)
- Reducing public water supply consumption using the groundwater membrane filtration system



● Installation of LED lighting

ESCON REIT is pursuing the reduction of electricity consumption by introducing LED lighting systems in the communal areas of four tonarie commercial facilities (Yamatotakada, Minami-senri, Toga·Mikita and Seiwadai) and Asumigaoka Brand-New Mall. LEDs were installed at the Yoshizuya Y Store Nishiharu in 11th fiscal period due to the change in tenants.

Take environmental issues into consideration through collaboration with tenants

● Consider the introduction of green lease clauses

A green lease refers to a voluntary agreement between a real estate owner and a tenant to reduce the environmental impact of real estate, such as energy conservation, and improve the workplace environment through a contract or memorandum of understanding, and refers to putting the agreed-upon details into practice.

Not only will both parties gain benefits such as cost reduction, improvement of the working environment, and enhancement of real estate value, but also the global environmental burden can be reduced through energy savings. ESCON REIT works with tenants going forward to promote the introduction of green lease clauses.

Acquisition of certifications

● DBJ Green Building ^{*1} Certifications

We have obtained certification for a total of five properties.

Certified properties	Certification rank		Certified date
tonarie Toga·Mikita	2020	 DBJ Green Building	July 27, 2020
tonarie Yamatotakada	2020		July 27, 2020
tonarie Minami-senri	2020		February 19, 2021
tonarie Seiwadai	2020		February 19, 2021
Asumigaoka Brand New Mall	2021		July 9, 2021

^{*1} 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"). DBJ evaluates and certifies properties that are socially and economically sought through comprehensive assessment of the measures taken for various stakeholders, including disaster prevention and community-conscious initiatives. There are five levels of certification ranks as follows.

● GRESB ^{*2} Real Estate Assessment

In the 2021 GRESB Real Estate Assessment, ESCON REIT received a "2 Stars"^{*3} 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 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.



^{*2} GRESB is an annual benchmarking assessment to measure ESG (Environmental, 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). Currently, 140 Investor Members (with more than \$47 trillion in assets under management) use GRESB data for their investment decision-making and engagement with investees, and several institutions from Japan including Government Pension Investment Fund (GPIF) utilize GRESB Assessment results.

^{*3} As of July 31, 2022

S Social

Coexist and cooperate with the local community

By holding a variety of events in “tonarie” 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.

tonarie Brand Concept

Close to the community in order to develop together with the community.
Always a good neighbor.



● Holding a variety of events in which members of the local communities and tenants can participate



Summer Festival (tonarie Minami-senri)



Kids Fair (tonarie Seiwadai)



Tanabata bamboo decorations (tonarie Yamatotakada)



Rice-cake pounding event (tonarie Yamatotakada)

● Certified as dementia-friendly shopping center

ESCON REIT is working to create age-friendly communities, including older people with dementia. All 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. We continue to promote initiatives in this fiscal period.



● Contributions for communities



Educational campaign to prevent special fraud (tonarie Yamatotakada)



Dementia supporter courses (tonarie Minami-senri)



Supporting Japan for UNHCR (tonarie Yamatotakada)



Blood donation campaign (tonarie Seiwadai)

● Participation in the “Child-raising Support Passport Project”

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. (tonarie Minami-senri, tonarie Seiwadai, tonarie Toga・Mikita, tonarie Yamatotakada)

● Improve safety and comfort for customers and tenants

● Facilities renewal for improved safety and comfort

(1) For the comfort of those who are accompanied by children, we are introducing a breastfeeding room in our facilities.

(2) With the aim of improving the workplace environment for tenant employees, we are installing and renovating resting rooms for tenant employees.

(tonarie Minami-senri, tonarie Seiwadai, Asumigaoka Brand-New Mall, tonarie Toga・Mikita, tonarie Yamatotakada, Yoshizuya Y Store Nishiharu)



Resting rooms for tenant employees (tonarie Toga・Mikita)



Breastfeeding room (tonarie Yamatotakada)

● Create a comfortable workplace environment (Asset Manager)

● Initiatives to improve the workplace environment for employees

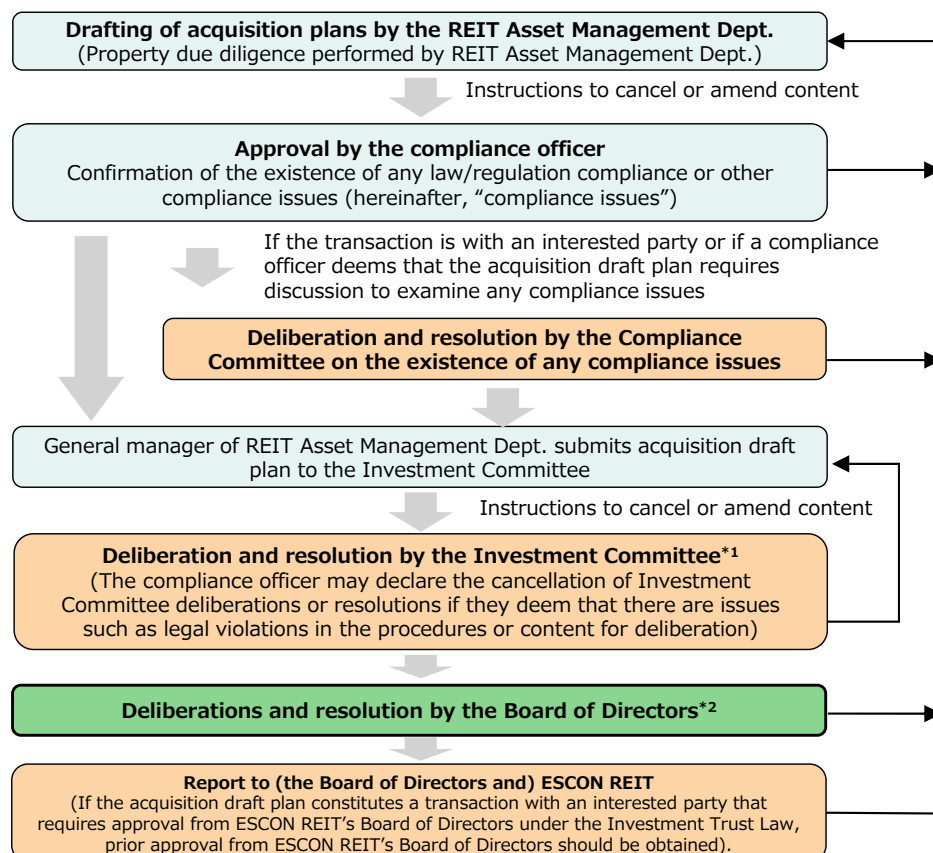
Asset Manager is promoting the creation of a workplace environment that gives work-life balance. (Conducting employee satisfaction surveys, no-overtime days, stress checks, the introduction of health consultations by industrial physicians, etc.)

G Governance

Further strengthening of Governance

● Decision-making process for property acquisitions

As a result of the recent administrative disposition, we are rebuilding our property acquisition conflict of interest management system by establishing property acquisition manuals and setting standards for property acquisition.



*1 In the case of a transaction with an interested party, a director who is an Audit and Supervisory Committee member must attend the meeting

*2 This process is scheduled to be changed to require a resolution by the Board of Directors at the time of the property acquisition

● Strengthening of Compliance System

The Asset Management Company positions compliance as the most important issue of management and requires of its officers and employees an awareness of their responsibility as experts of investment management and constant compliance with their duties of loyalty and diligence. As a result of the recent administrative disposition, we have again understood the importance of asset management operations to manage the funds of ESCON REIT's unitholders. We will continue to work to strengthen our compliance system to create a suitable management system.

Also, each fiscal year, in our Compliance Program Implementation Plan, we clarify compliance-related issues and improvement measures, and have introduced a framework for working toward the resolution of these issues.

● Governance structure to maximize unitholder value

Our asset management fee is linked to two separate components; total assets and pre-tax net income.

We believe that this fee structure will provide enough incentive for the asset management company to maximize unitholders' value by the same target sight for improving profit.

● Enhance compliance training

We will conduct various training programs to continuously improve our conflict-of-interest management system. We will conduct proficiency tests as appropriate to measure the effectiveness of training.

Disclose information to stakeholders

We acknowledge the importance of disclosing not only management and financial information, but also non-financial information, and proactively promote the disclosure of such information.

Others

Launch of a unitholders' association system (the sponsor is also qualified for membership)

14 companies (approx. 23%) of J-REITs have introduced the unitholders' associations system

Sponsors are qualified for membership in 6 companies (approx. 9.8%) of the REITs

8

Status of Unitholders



8. Status of Unitholders



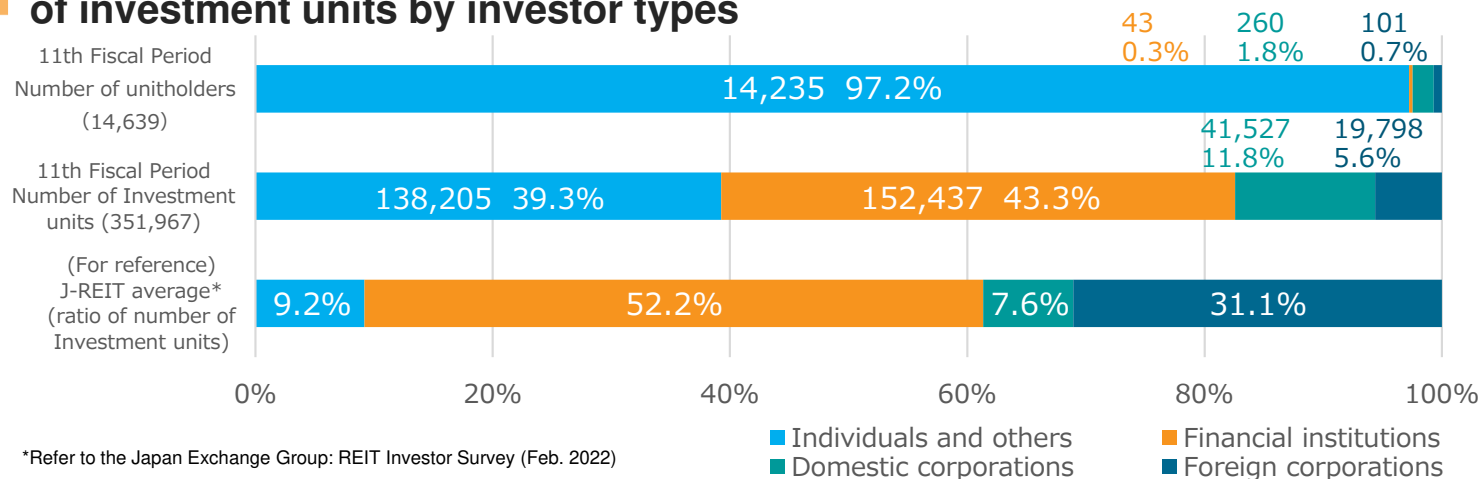
Status of unitholders as of 11th Fiscal Period(as of July 31, 2022)

ES CON JAPAN REIT

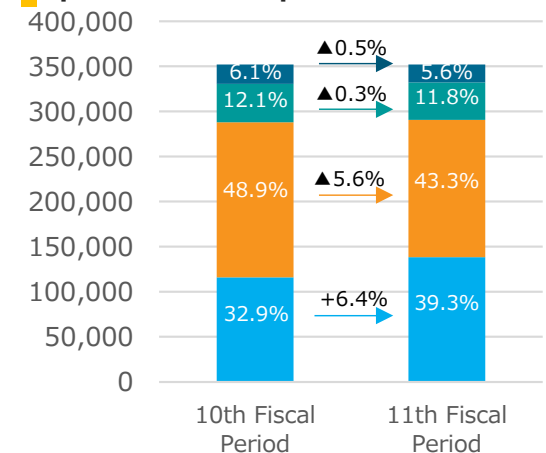


In addition to same-boat investment by Sponsor, Continued investment from regional financial institutions

Breakdown of number of unitholders and number of investment units by investor types



Change in share of investment units by unitholder category from the previous fiscal period)



Top ten unitholders

Name	Number of units held	Ownership ratio
1. The Master Trust Bank of Japan, Ltd. (Trust account)	39,269	11.2%
2. Custody Bank of Japan, Ltd.(Trust Account)	29,521	8.4%
3. Osaka Co-sei Shinkin Bank	20,940	5.9%
4. ES-CON Japan Ltd.	16,894	4.8%
5. The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	13,218	3.8%

Name	Number of units held	Ownership ratio
6. NISSEI BUILD KOGYO CO., LTD.	9,190	2.6%
7. Osaka Shoko Shinkin Bank	8,487	2.4%
8. Daido Shinyo Kumiai	6,415	1.8%
9. Kinkisangyo Shinkumi Bank	6,226	1.8%
10. THE SAIKYO BANK, LTD.	4,950	1.4%
Total	155,110	44.1%



Appendix





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

	10 th Fiscal Period ended January 31, 2022	11 th Fiscal Period ended July 31, 2022
Liabilities		
Current liabilities		
Operating accounts payable	92,630	441,832
Short-term borrowings	354,000	-
Current portion of long-term borrowings	9,860,000	9,860,000
Accrued money	61,119	12,775
Accrued expenses	128,228	164,445
Accrued income tax, etc.	1,011	816
Accrued consumption tax, etc.	-	88,948
Advances received	340,676	332,701
Deposits received	1,894	772
Total current liabilities	10,839,560	10,902,292
Noncurrent liabilities		
Long-term borrowings	23,231,000	23,231,000
Tenant lease and guarantee deposits in trust	2,397,951	2,505,350
Total noncurrent liabilities	25,628,951	25,736,350
Total liabilities	36,468,511	36,638,643
Net assets		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,264,747	1,268,499
Total surplus	1,264,747	1,268,499
Total unitholders' equity	39,371,956	39,375,708
Total net assets	39,371,956	39,375,708
Total liabilities and net assets	75,840,468	76,014,351

Units:
Thousand
yen



Profit and Loss Statement



Units: Thousand yen

	10 th Fiscal Period ended January 31, 2022	11 th Fiscal Period ended July 31, 2022
Operating revenues		
Rent revenue-real estate	2,230,463	2,196,062
Other lease business revenue	246,164	510,392
Total operating revenue	2,476,628	2,706,455
Operating expenses		
Expenses related to rent business	794,032	1,118,503
Asset management fee	105,335	138,050
Asset custody fee	3,514	3,667
Administrative service fees	11,492	11,097
Directors' compensation	2,769	2,700
Taxes and public dues	12,649	8,435
Other operating expenses	40,268	41,758
Total operating expenses	970,061	1,324,211
Operating income	1,506,567	1,382,243
Non-operating income		
Interest income	17	25
Interest on tax refund	-	121
Other	1	-
Total non-operating income	18	147
Non-operating expenses		
Interest expenses	84,845	82,282
Borrowing related expenses	132,374	29,678
Investment unit issuance expenses	22,247	-
Other	1,230	1,230
Total non-operating expenses	240,697	113,191
Ordinary income	1,265,888	1,269,199
Income before income taxes	1,265,888	1,269,199
Income taxes-current	1,168	820
Income taxes adjustment	△10	9
Total income taxes	1,158	829
Net income	1,264,729	1,268,369
Retained earnings bought forward	18	130
Unappropriated retained earnings (undisposed loss)	1,264,747	1,268,499



Income and Expenditure



Units: Thousand yen

Property number	1 (ST-1)	2 (ST-2)	3 (SS-1)	4 (SS-2)	5 (SS-3)	6 (KT-1)	7 (KT-2)	8 (KT-3)	9 (KT-4)	10 (KS-1)	11 (KS-2)	12 (KS-3)	13 (KS-4)	14 (KS-5)	15 (KS-6)
Property name	Asumigaoka Brand-New Mall	Nishi-shiroi Ekimae Plaza	K's Denki Oyumino (Leasehold land)	Nitori Tsuchiura (Leasehold land)	Nitori Imaichi (Leasehold land)	tonarie Minami-senri	tonarie Seiwadai	tonarie Yamatotakada (ownership 50%)	tonarie Toga-Mikita	LAMU Kitatsumori (Leasehold land)	K's Denki Nishikobe (Leasehold land)	Sanyo Marunaka (Leasehold land)	Tsutaya Sakai-minami (Leasehold land)	LIFE Daisen (Leasehold land)	TRIAL Omihachiman (Leasehold Land)
Number of days of operation	181	181	181	181	181	181	181	181	181	181	181	181	181	181	181
Age of buildings (year)	21.9	22.3	—	—	—	17.8	14.8	3.8	3.3	—	—	—	—	—	—
Operating revenues	237,061	20,607	70,570	Not disclosed	Not disclosed	331,688	193,482	168,891	259,909	38,148	62,176	Not disclosed	21,600	72,000	Not disclosed
Rent revenue-real estate	179,592	16,953	70,570			272,958	152,450	139,830	223,336	38,148	62,176		21,600	72,000	
Other lease business revenue	57,468	3,654	—			58,730	41,032	29,061	36,573	—	—		—	—	
Expenses related to rent business	196,363	8,452	7,288			175,395	117,682	75,198	90,046	6,987	5,544		2,677	4,981	
Taxes and public dues	23,925	1,334	6,738			24,072	12,693	13,953	15,292	6,237	4,794		2,104	4,408	
Management fees	32,992	2,128	300			47,900	25,941	24,693	33,051	499	499		300	300	
Insurance premium	466	130	—			299	341	567	390	—	—		—	—	
Repair & maintenance	70,380	1,435	—			46,413	35,815	5,203	4,569	—	—		—	—	
Other lease business expenses	68,598	3,423	250			56,709	42,890	30,781	36,742	250	250		273	273	
Leasing NOI	40,698	12,154	63,281			156,292	75,800	93,692	169,863	31,161	56,632		18,922	67,018	
Depreciation	19,429	810	—			14,356	25,051	21,832	32,814	—	—		—	—	
Operating income	21,269	11,344	63,281			141,936	50,748	71,860	137,048	31,161	56,632		18,922	67,018	
Book value at end of fiscal period	3,204,145	454,371	2,737,549	1,007,414	368,224	7,214,720	3,190,831	4,105,140	6,931,012	1,284,444	2,154,463	1,443,034	955,939	2,758,189	1,019,016
NOI yield before depreciation**1	2.6%	5.4%	4.7%	Not disclosed	Not disclosed	4.4%	4.8%	4.6%	4.9%	4.9%	5.3%	Not disclosed	4.0%	4.9%	Not disclosed
NOI yield after depreciation**1	1.3%	5.0%	4.7%	Not disclosed	Not disclosed	4.0%	3.2%	3.5%	4.0%	4.9%	5.3%	Not disclosed	4.0%	4.9%	Not disclosed
Property number	16 (KS-7)	17 (KS-8)	18 (KS-9)	19 (KS-10)	20 (KS-11)	21 (KS-12)	22 (TT-1)	23 (TS-1)	24 (FS-1~11)	25 (OT-1)	26 (OT-2)	27 (OS-1)	28 (OS-2)	Total/Average	
Property name	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)	Yoshizuaya Y Store Nishiharu	MaxValu Kikyogaoka-higashi (Leasehold land)	Fukuoka Kasuga Project (Leasehold land)	SUROY MALL Nagamine	Fuji Grand Natalie	K's Denki Kurashiki (Leasehold land)	YAMADA DENKI Tecco Land Sapporo Shiroishi(Leasehold Land)		
Number of days of operation	181	181	181	181	181	181	181	181	181	181	181	181	181		
Age of buildings (year)	—	—	—	—	—	—	27.9	—	—	15.0	23.2	—	—	16.7(average)	
Operating revenues	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	378,858	Not disclosed	266,315	173,714	Not disclosed	Not disclosed	Not disclosed	2,706,455	
Rent revenue-real estate							120,200		266,315	148,835				2,196,062	
Other lease business revenue							258,658		—	24,879				510,392	
Expenses related to rent business							102,319		36,975	66,906				942,899	
Taxes and public dues							16,305		33,428	14,026				214,171	
Management fees							16,215		1,980	12,905				206,219	
Insurance premium							749		—	897				4,492	
Repair & maintenance							59,810		—	16,808				240,434	
Other lease business expenses							9,239		1,567	22,269				277,580	
Leasing NOI							276,539		229,340	106,808				1,763,555	
Depreciation							30,074		—	11,171				175,603	
Operating income							246,464		229,340	95,637				1,587,952	
Book value at end of fiscal period	718,269	464,956	571,393	709,317	535,849	304,134	4,576,927	483,542	10,537,198	4,617,238	3,948,224	2,136,105	1,310,888	69,742,547	
NOI yield before depreciation**1	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	12.2%	Not disclosed	4.4%	4.7%	Not disclosed	Not disclosed	Not disclosed	5.1%	
NOI yield after depreciation**1	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	10.9%	Not disclosed	4.4%	4.2%	Not disclosed	Not disclosed	Not disclosed	4.6%	

*1 NOI yields before and after depreciation represent ratios against the book value at the end of the fiscal period. Yoshizuaya Y Store Nishiharu's NOI includes earnings equivalent to the restoration costs.



Overview of Appraisal Value as of the end of 11th Fiscal Period



Units: Million yen

№	Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation *1	NOI yield before depreciation *1
			Jan. 31, 2022 (A)	Jul. 31, 2022 (B)			
1	Asumigaoka Brand-New Mall	3,200	3,380	3,380	-	6.5%	5.3%
	Asumigaoka Sushiro (Leasehold land)		150	150	-		
	Asumigaoka McDonald's (Leasehold land)		146	147	1		
2	Nishi-shiroi Ekimae Plaza	451	468	468	-	5.8%	5.4%
3	K's Denki Oyumino (Leasehold land)	2,710	2,880	2,880	-	4.7%	4.7%
4	Nitori Tsuchiura (Leasehold land)	999	1,090	1,090	-	5.4%	5.4%
5	Nitori Imaichi (Leasehold land)	363	407	408	1	6.0%	6.0%
6	tonarie Minami-senri	7,200	8,010	8,010	-	5.5%	5.1%
7	tonarie Seiwadai	3,290	3,400	3,420	20	5.9%	4.4%
8	tonarie Yamatotakada (ownership50%)	4,150	4,075	4,050	▲25	4.8%	3.8%
9	tonarie Toga・Mikita	6,986	7,120	7,090	▲30	4.9%	3.9%
10	LAMU Kitatsumori (Leasehold land)	1,270	1,480	1,480	-	4.9%	4.9%
11	K's Denki Nishikobe (Leasehold land)	2,133	2,470	2,470	-	5.3%	5.3%
12	Sanyo Marunaka Mitani (Leasehold land)	1,430	1,530	1,530	-	4.4%	4.4%
13	Tsutaya Sakai-minami (Leasehold land)	946	1,030	1,030	-	4.1%	4.1%
14	LIFE Daisen (Leasehold land)	2,733	3,060	3,060	-	4.9%	4.9%
15	TRIAL Omihachiman (Leasehold Land)	1,010	1,100	1,100	-	4.4%	4.4%
16	Kusuri no Aoki Ikaruga (Leasehold Land)	711	730	730	0	5.3%	5.3%
17	DRUG Yutaka Mukokamiueno (Leasehold Land)	460	477	477	-	4.5%	4.5%
18	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	565	577	577	-	4.2%	4.2%
19	Cocokara Fine Neyagawakoen (Leasehold Land)	702	716	717	1	4.3%	4.3%

№	Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation *1	NOI yield before depreciation *1
			Jan. 31, 2022 (A)	Jul. 31, 2022 (B)			
20	ENEOS Ikawadani SS (Leasehold Land)	530	531	531	-	4.7%	4.7%
21	GEO Hikone Takamiya (Leasehold Land)	300	306	306	-	4.8%	4.8%
22	Yoshizuya Y Store Nishiharu	4,610	4,400	2,330	▲2,070	2.7%	1.3%
23	MaxValu Kikyogaoka-higashi (Leasehold land)	477	539	541	2	6.1%	6.1%
24	MrMAX Kasuga (Leasehold land)	3,387	3,930	3,930	-	4.4%	4.4%
	UNIQLO Kasuga (Leasehold land)	595	668	670	2	4.0%	4.0%
	Avail.Shimamura Kasuga (Leasehold land)	863	1,100	1,110	10	4.8%	4.8%
	au-Softbank Kasuga (Leasehold land)	143	160	160	-	4.6%	4.6%
	Kura Sushi Kasuga (Leasehold land)	261	304	304	-	4.7%	4.7%
	docomo Shop Kasuga (Leasehold land)	160	182	181	▲1	4.6%	4.6%
	Konpira Maru Kasuga (Leasehold land)	236	265	265	-	4.7%	4.7%
	One-Karubi Kasuga (Leasehold land)	236	265	265	-	4.7%	4.7%
	Suke-san Kasuga (Leasehold land)	401	423	420	▲3	4.4%	4.4%
	NAFCO Kasuga (Leasehold land)	2,631	3,420	3,430	10	4.5%	4.5%
	K's Denki Kasuga (Leasehold land)	1,487	1,840	1,840	-	4.3%	4.3%
	SUROY MALL Nagamine	4,600	4,650	4,650	-	5.4%	4.9%
26	Fuji Grand Natalie	3,950	4,100	4,100	-	5.2%	4.2%
27	K's Denki Kurashiki (Leasehold land)	2,121	2,440	2,450	10	5.0%	5.0%
28	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	1,300	1,330	1,330	-	4.4%	4.4%
Total		69,604	75,149	73,077	▲2,071	4.9%	4.4%

*1 Appraisal NOI yields before and after depreciation represent ratios against the acquisition price.

Portfolio (as of July 31, 2022)

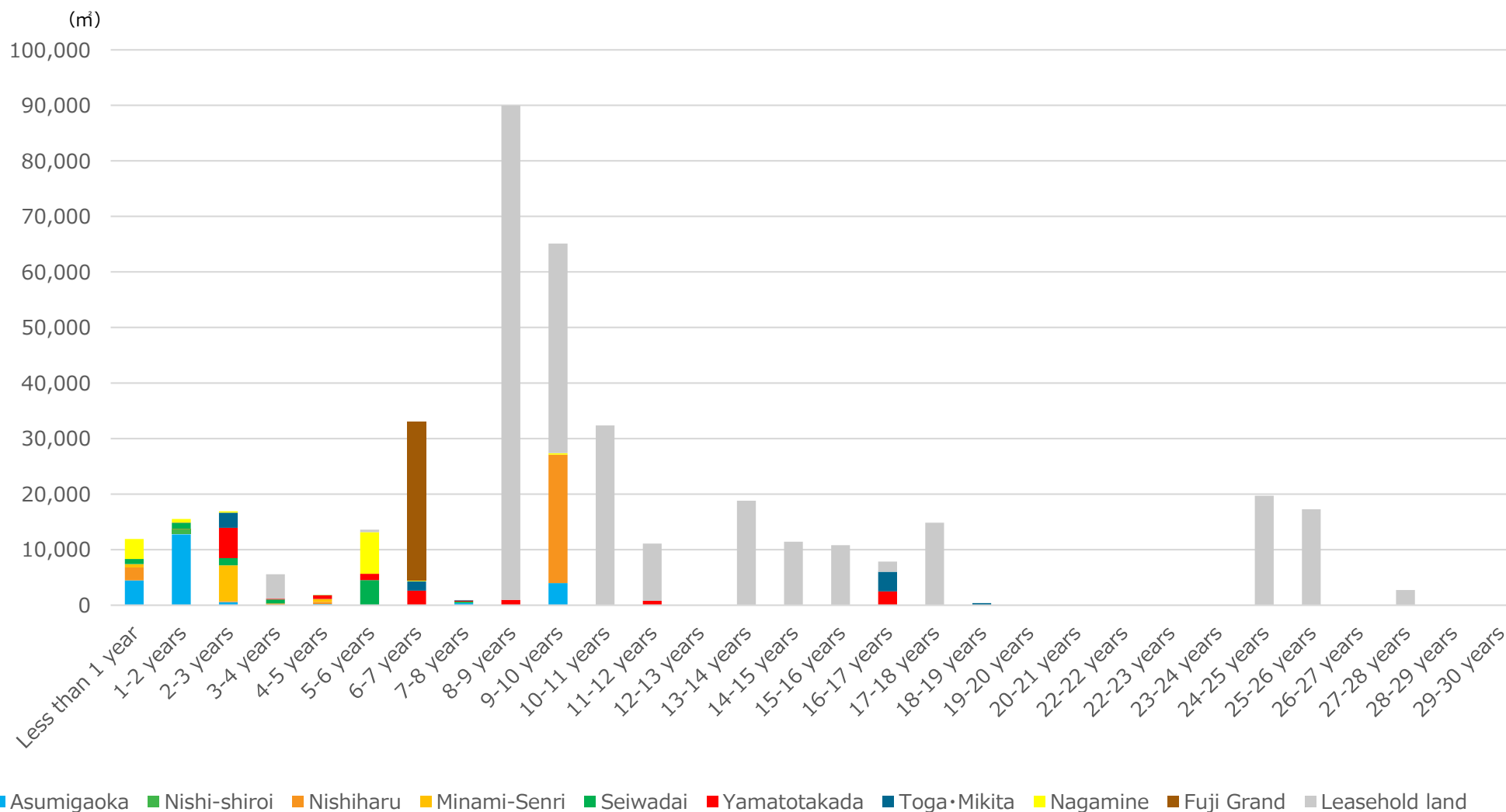
No.	Property name	Area	Location	Asset type	Number of tenants	Acquisition price (million yen)	Appraisal value (million yen)*1
1 (ST-1)	Asumigaoka Brand-New Mall	Tokyo metropolitan area	Chiba-shi, Chiba	Land + building	30	3,200	3,380
				Leasehold land	2		(Leasehold land) 297
2 (ST-2)	Nishi-shiroi Ekimae Plaza	Tokyo metropolitan area	Shiroi-shi, Chiba	Land + building	4	451	468
3 (SS-1)	K's Denki Oyumino (Leasehold land)	Tokyo metropolitan area	Chiba-shi, Chiba	Leasehold land	1	2,710	2,880
4 (SS-2)	Nitori Tsuchiura (Leasehold land)	Tokyo metropolitan area	Tsuchiura-shi, Ibaraki	Leasehold land	1	999	1,090
5 (SS-3)	Nitori Imaichi (Leasehold land)	Tokyo metropolitan area	Nikko-shi, Tochigi	Leasehold land	1	363	408
6 (KT-1)	tonarie Minami-senri	Kinki metropolitan area	Suita-shi, Osaka	Land + building	46	7,200	8,010
7 (KT-2)	tonarie Seiwadai	Kinki metropolitan area	Kawanishi-shi, Hyogo	Land + building	33	3,290	3,420
8 (KT-3)	tonarieYamatotakada (ownership 50%)	Kinki metropolitan area	Yamatotakada-shi, Nara	Land + building	67	4,150	4,050
9 (KT-4)	tonarieToga・Mikita	Kinki metropolitan area	Sakai-shi, Osaka	Land + building	32	6,986	7,090
10 (KS-1)	LAMU Kitatsumori (Leasehold land)	Kinki metropolitan area	Osaka-shi, Osaka	Leasehold land	1	1,270	1,480
11 (KS-2)	K's Denki Nishikobe (Leasehold land)	Kinki metropolitan area	Kobe-shi, Hyogo	Leasehold land	1	2,133	2,470
12 (KS-3)	Sanyo Marunaka Mitani (Leasehold land)	Kinki metropolitan area	Kobe-shi, Hyogo	Leasehold land	1	1,430	1,530
13 (KS-4)	Tsutaya Sakai-minami (Leasehold land)	Kinki metropolitan area	Sakai-shi, Osaka	Leasehold land	1	946	1,030
14 (KS-5)	LIFE Daisen (Leasehold land)	Kinki metropolitan area	Sakai-shi, Osaka	Leasehold land	1	2,733	3,060
15 (KS-6)	TRIAL Omihachiman (Leasehold Land)	Kinki metropolitan area	Omihachiman-shi, Shiga	Leasehold land	1	1,010	1,110
16 (KS-7)	Kusuri no Aoki Ikaruga (Leasehold Land)	Kinki metropolitan area	Ikoma-gun, Nara	Leasehold land	2	711	730
17 (KS-8)	DRUG Yutaka Mukokamiueno (Leasehold Land)	Kinki metropolitan area	Muko-shi, Kyoto	Leasehold land	1	460	477
18 (KS-9)	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	Kinki metropolitan area	Amagasaki-shi, Hyogo	Leasehold land	1	565	577
19 (KS-10)	Cocokara Fine Neyagawakoen (Leasehold Land)	Kinki metropolitan area	Neyagawa-shi, Osaka	Leasehold land	1	702	717
20 (KS-11)	ENEOS Ikawadani SS (Leasehold Land)	Kinki metropolitan area	Kobe-shi, Hyogo	Leasehold land	1	530	531
21 (KS-12)	GEO Hikone Takamiya (Leasehold Land)	Kinki metropolitan area	Hikone-shi, Shiga	Leasehold land	1	300	306
22 (TT-1)	Yoshizuya Y Store Nishiharu	Chukyo metropolitan area	Kitanagoya-shi, Aichi	Land + building	55	4,610	2,330
23 (TS-1)	MaxValu Kikyogaoka-higashi (Leasehold land)	Chukyo metropolitan area	Nabari-shi, Mie	Leasehold land	1	477	541
24 (OT-1)	SUROY MALL Nagamine	Other area	Kumamoto-shi, Kumamoto	Land + building	25	4,600	4,650
25 (OT-2)	Fuji Grand Natalie	Other area	Hatsukaichi-shi, Hiroshima	Land + building	1	3,950	4,100
26 (OS-1)	K's Denki Kurashiki (Leasehold land)	Other area	Kurashiki-shi, Okayama	Lease hold land	1	2,121	2,450
27 (OS-2)	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	Other area	Sapporo-shi, Hokkaido	Leasehold land	1	1,300	1,330
28 (FS-1~11)	Fukuoka Kasuga Project (Leasehold land)	Fukuoka metropolitan area	Kasuga-shi, Fukuoka	Leasehold land	11	10,404	12,575
Total(as at the end of July 31, 2022)					325	69,604	73,077



*1 The appraisal value of tonarie Yamatotakada is based on the fact that the acquired property is a 50% quasi-co-ownership interest in a trust beneficiary right and is not 100% of the appraisal value of the property concerned.



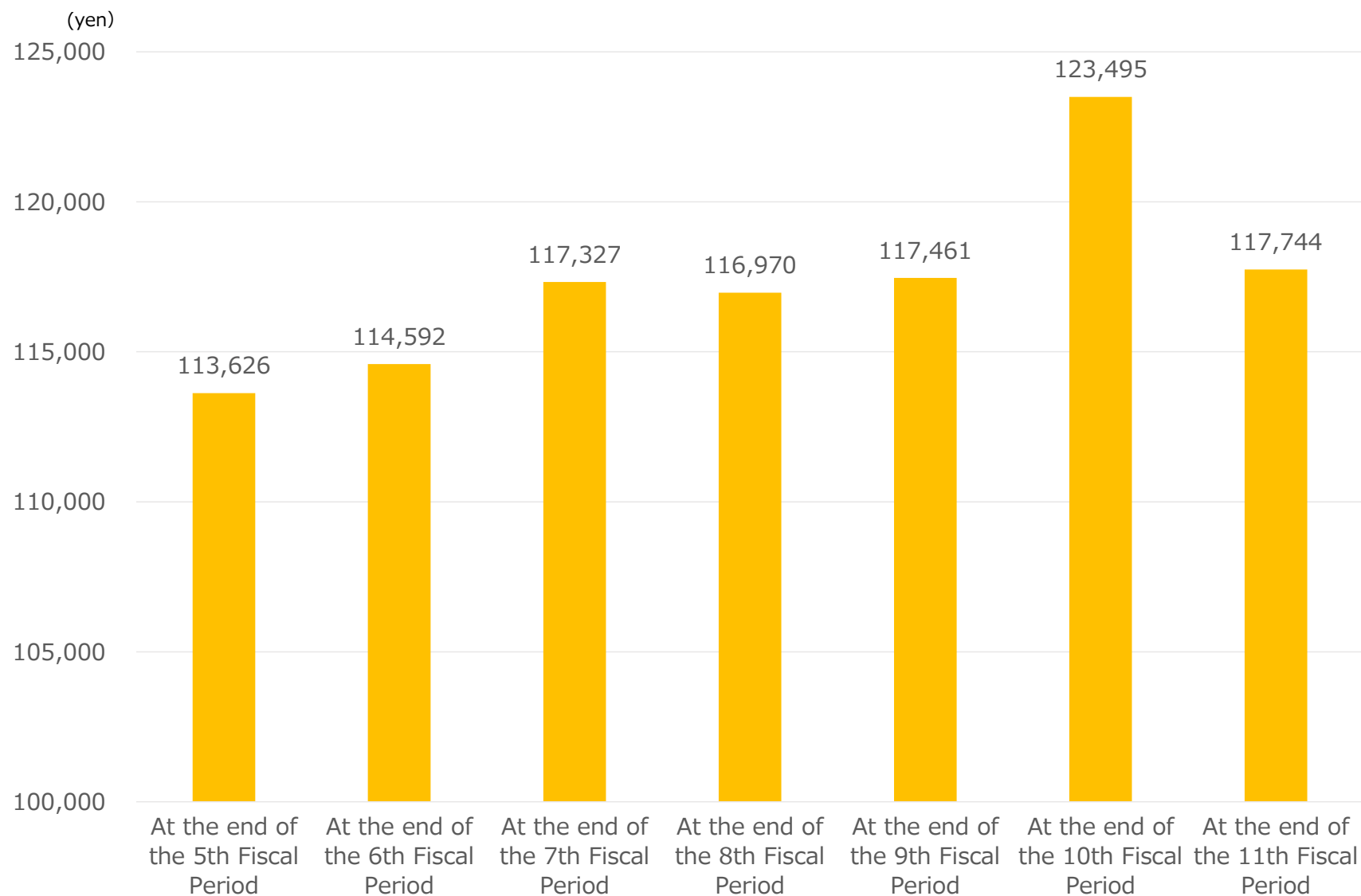
Remaining lease term (based on leasable space)



* The figures show the remaining lease term as of July 31, 2022.



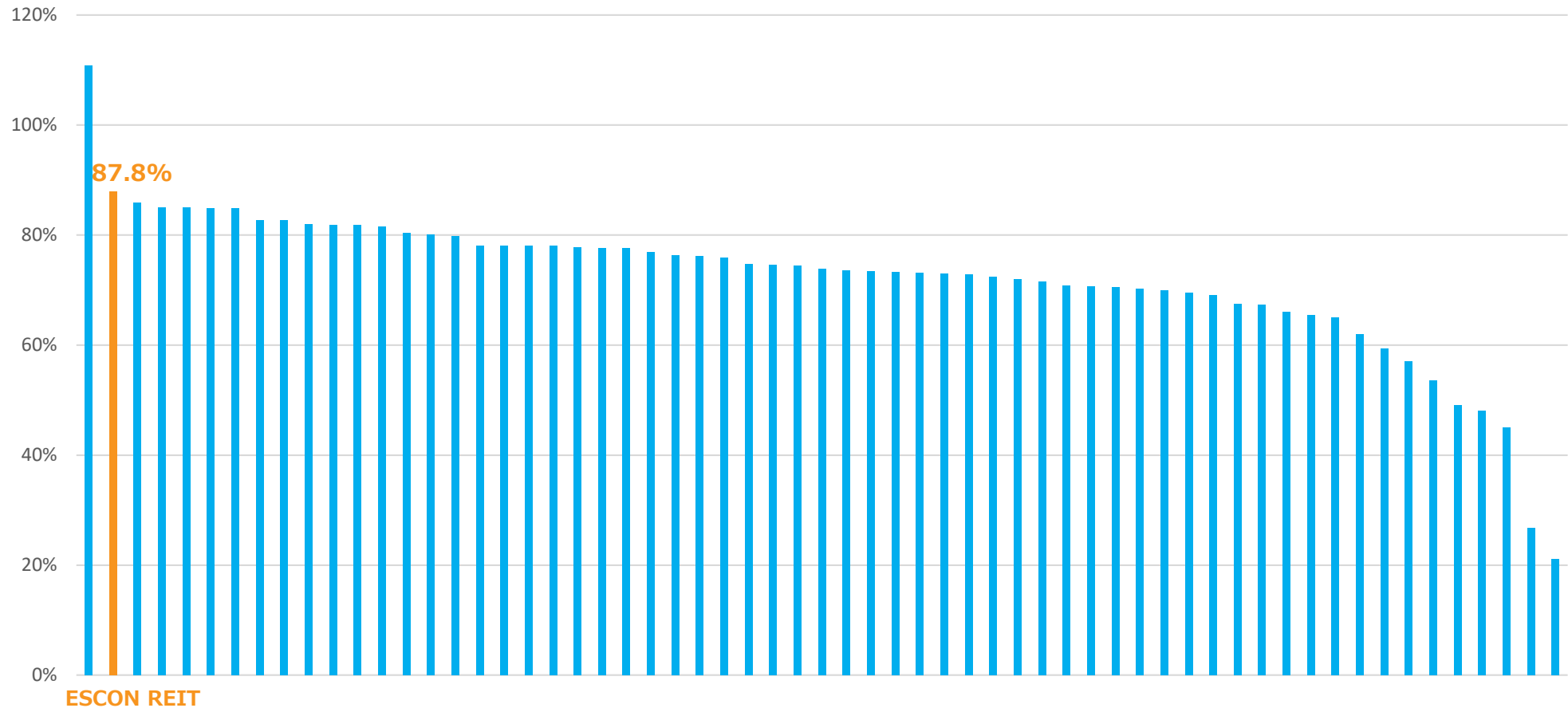
NAV per unit



* (Net book asset value + Unrealized profits – Distribution) / Total number of investment units issued and outstanding at each time



FFO Payout ratio



*1 FFO payout ratio :Total distribution amount ÷ (net income + depreciation expense), with reference to the most recent fiscal period of each J-REIT.

*2 For other companies, data based on the information disclosed by June 2022 are used.

*3 Based on book value as of July 31, 2022.



Outline of ES-CON JAPAN (Sponsor company)

Company name	ES-CON JAPAN Ltd.
Representative	Takatoshi Ito, President and Representative Director
Established	April 18, 1995
Capital	16,519 million yen (as of Dec. 31, 2021)
Number of employees	344 (consolidated, as of Dec. 31, 2021)
Sales	79,017 million yen (fiscal year ended Dec. 31, 2021)
Listed market	Prime Market of the Tokyo Stock Exchange

Outline of Chubu Electric Power (Support company)

Name	Chubu Electric Power Co.,Inc.
Representative	President and Director, Kingo Hayashi
Established	May 1, 1951
Capital	430.7 billion yen (as of March 31, 2021)
Number of employee	3,127 (as of March 31, 2021)
Sales	2,705 billion yen (Fiscal year ended Mach 31, 2021)
Listed market	Prime Market of the Tokyo Stock Exchange

Outline of Chuden Real Estate (Support company)

Name	Chuden Real Estate Co.,Inc.
Representative	President and Representative Director Yutaka Watanabe
Established	April 20, 1957
Capital	100 million yen (as of July 1, 2022)
Number of employee	557 (as of July 1, 2022)
Shareholder	Chubu Electric Power Co., Inc. (100%) (as of July 1, 2022)

Recent main action by ES-CON JAPAN

2022

Feb.

Acquisition of New Project Site (Tsuji-cho, Kita-Ku, Nagoya-shi)
 Started construction work of Iwaki Station Namiki-dori District Type 1 Urban Redevelopment Project in Iwaki City, Fukushima Prefecture (Namiki no Mori City)
 Real estate sales business "Le JADE Hokkaido Ball Park" began selling in lots
 Real estate sales business "Le JADE Shitennoji Yuhigaoka" began selling in lots
 Started 2nd phase of development of HOKKAIDO BALLPARK F VILLAGE: development of residence for seniors and medical mall

Started joint project for important properties for townscape community planning in Chiyoda Ward: complex development of a new condominium "Le JADE Cross Chiyoda Jimbocho" and offices
 Investment in Agya Ventures Fund L.P.
 Acquisition of New Project Site (Senba-Higashi II, Mino City)
 Concluded a basic agreement for the "Shin-Omura Ekimae City-Owned Land Development Project" in Omura City, Nagasaki Prefecture

Mar.

Supported Kitahiroshima City, Hokkaido Prefecture, through "Corporate Version of Hometown Tax"
 Acquisition of New Project Site (Sakae 4, Naka-Ku, Nagoya-shi)
 Acquisition of Commercial facilities (DINOS Sapporo Shiraishi)
 Acquisition of New Project Site (Fujishirodai 3, Suita City)
 Acquisition of New Project Site and Decision to develop Lifestyle-focused shopping center "tonarie Hoshida (Tentative)"
 Acquisition of New Project Site (Hayamacho II, Miura-gun)
 Acquisition of New Project Site (Iseyama 2, Naka-Ku, Nagoya-shi)
 Acquisition of New Project Site (Nankonaka, Suminoe-Ku, Osaka-shi)
 Acquisition of New Project Site (Nakamachi 3, Atsugi City)
 Acquisition of New Project Site (Nishi-Azabu 2, Minato-Ku, Tokyo)

Apr.

Acquisition of New Project Site (Haramachida 3, Machida City)
 Real estate sales business "Le JIAS Ohashi" began selling in lots
 Acquisition of New Project Site (Fukae-Minami, Higashinari-Ku, Osaka-shi)
 Real estate sales business "Le JADE Takatsuki Minamimatsubara" began selling in lots
 Acquisition of New Project Site (Yamatocho, Itabashi-Ku, Tokyo)

May

Real estate sales business "Le JADE Matsudo Station Front" began selling in lots
 Started providing long-term after-sales service "Escon Premium After Support" for "Le JADE" condominiums
 Donation for establishing the endowed course of "Cancer Immunology" at Osaka University
 Acquisition of New Project Site (Tsuboimachi, Chuou-Ku, Kumamoto-shi)

Jun.

Acquisition of New Project Site (Minami-Sumiyoshi, Sumiyoshi-Ku, Osaka-shi)
 Real estate sales business "Le JADE Fushimi Momoyama" began selling in lots
 Acquisition of New Project Site and Decision to develop a resort hotel (Nishi-Ku, Fukuoka-shi)
 Real estate sales business "Le JADE Cross Chiyoda Jimbocho" began selling in lots
 Acquisition of Commercial facilities (Aisai plaza)
 Notice of Endorsement of TCFD Recommendations and Disclosure

Jul.

Groundbreaking and start of construction of "(Tentative) Kitahiroshima Station West Exit A Project" in the "Station West Exit Area Revitalization Project" at Kitahiroshima City
 Real estate sales business "Le JADE Midoribashi Ekimae" began selling in lots
 Decision to renewal Lifestyle-focused shopping center "tonarie Utsunomiya"
 Change to maximum borrowing commitment line (increase)
 Real estate sales business "Le JADE Kanayama" began selling in lots
 Acquisition of Commercial facilities (Selection Aobadai)

Business development and development cases of ES-CON JAPAN

- Condominium business: Sales are on track with a contract base of 1,087 against our 2022 full-year plan to deliver 1,200 units (progress rate of 91% as of August 22).
- Commercial development project : ES-CON JAPAN develops and operates neighborhood shopping centers (NSCs) as part of our commercial development business. ES-CON JAPAN launched the tonarie brand of commercial facilities; 12 tonarie facilities are currently in operation.
- Logistics development project, Large scale urban development project, Land readjustment project : Logistics development project is started with several properties. Also, as candidates for our next core business, Large scale urban development project, Land readjustment project are started.
- Other projects : Plan to expand into diverse businesses to withstand unexpected changes in the economic environment, such as the ESCON Home and ESCON Craft detached house sales businesses, Picasso real estate leasing business, and Ryomon ossuary business.

Condominium project



Le JADE Tsukuba Station Front
(Ibaraki)

Commercial development project



tonarie Minami-senri Annex
(Osaka)



tonarie Yokkaichi
(Mie)



tonarie Utsunomiya
(Tochigi)

Logistics development project



LOGITRES Tojo (Hyogo)

Large scale urban development project



The Station West Exit Area Revitalization Project
at Kita-Hiroshima Station
(Hokkaido)

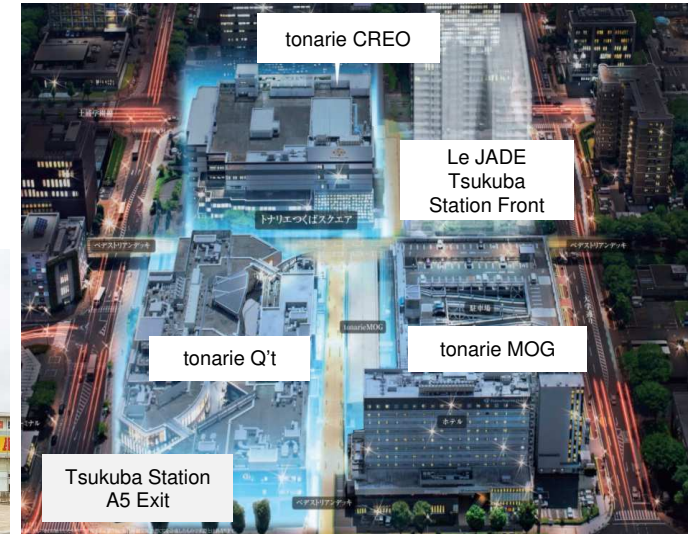
Land readjustment project



Koga Genboen Land Readjustment Project
(Fukuoka)

Tsukuba (Tsukuba-shi, Ibaraki) Project (integrated condominium and commercial facility development in the Tsukuba station area)

- Redevelopment on the former sites of large-scale commercial facilities, the Seibu Department Stores' Tsukuba store and Aeon Tsukuba Ekimae store, inside Tsukuba CREO located in front of the station
- ES-CON JAPAN acquired three facilities, CREO, Q't and MOG, and are currently promoting the integrated development of these facilities in the area around Tsukuba Station. The first grand opening was held in May 2021., and second one was held in July 2022.
- Along with the commercial facility, we will develop the "Le JADE Tsukuba Station Front" condominium and conduct integrated development of the station area in a manner that contributes to local revitalization and benefits local residents.



HOKKAIDO BALL PARK and JR Kita-Hiroshima Station "West Exit Area Revitalization Project"

- January 2020: Participated in urban development around the new Hokkaido Nippon Ham Fighters baseball stadium, and acquired naming rights for the stadium. "ES CON FIELD HOKKAIDO" is scheduled to open in 2023.
- Start of sales in February 2022 of "Le JADE Hokkaido Ballpark" condominiums in HOKKAIDO BALLPARK F VILLAGE in Kitahiroshima City, Hokkaido Prefecture, and start of development of the residence for seniors and the medical mall.
- March 2021: Concluded a partner agreement for the Station West Exit Area Revitalization Project at Kita-Hiroshima Station in Hokkaido. In addition to the development of the HOKKAIDO BALLPARK F VILLAGE (total development area: approximately 36.7 ha), the project will also develop the area around Kita-Hiroshima Station, which will serve as an access point to F VILLAGE. In the future, the sponsor will be involved in real estate development and urban development in the area adjacent to the ballpark, covering an area of approximately 9,400 m².



Exterior image of New stadium and Condominium



Exterior image of New stadium



Kita-Hiroshima station located



Completion image of station area



Overview of capital and business partnership with Chubu Electric Power Co., Ltd.

Further synergies from ES-CON JAPAN Ltd. becoming a consolidated subsidiary of Chubu Electric Power Co., Inc.


	Promoting joint projects	5 joint projects have conducted with Chuden Real Estate 4 projects in Chubu area (Shirakabe I, Shirakabe II, Nishi-Ichinomiya, Kakegawa) 1 project in Kinki area (Fujishirodai, Suita-shi) Most recently, they have begun business in new areas, including the construction and operation of vertical farms (Fukuroi-shi, Shizuoka) and a large-scale urban development (Minato-ku, Nagoya-shi)
	Mutually complementary business area	Nagoya Office opened in March 2019. Business developed in both regions (Chubu and Kansai)
	Making effective use of real estate owned by Chubu Electric Power Group	Started a project jointly with Chuden Real Estate on the real estate that Chuden Real Estate owns in Ichinomiya-shi, Aichi
	Joint research and implementation of next generation smart houses, connected homes, etc.	Start joint development for the next generation at the site in Fujishirodai, Suita-shi, Osaka (where National Cerebral and Cardiovascular Center used to be), on which a joint project will be conducted with Chuden Real Estate
	Prospective buyers for our real estate development projects	Sale of properties owned by the Company to Chuden Real Estate through warehousing method (support contract concluded among Chuden Real Estate, ES-CON REIT and ES-CON ASSET MANAGEMENT in Sep. 2019)
	Exchange of human resources	Two of the Company's employees were seconded to Chuden Real Estate from April 2019, and one person from Chubu Electric was named director in March 2019.
	Respect for autonomy	Continued business development utilizing the Company's characteristic speed

Overview of joint project with Chubu Electric Power Co., Ltd.

Kakegawa-shi, Shizuoka
Joint projects have conducted with Chuden Real Estate
Condominium project

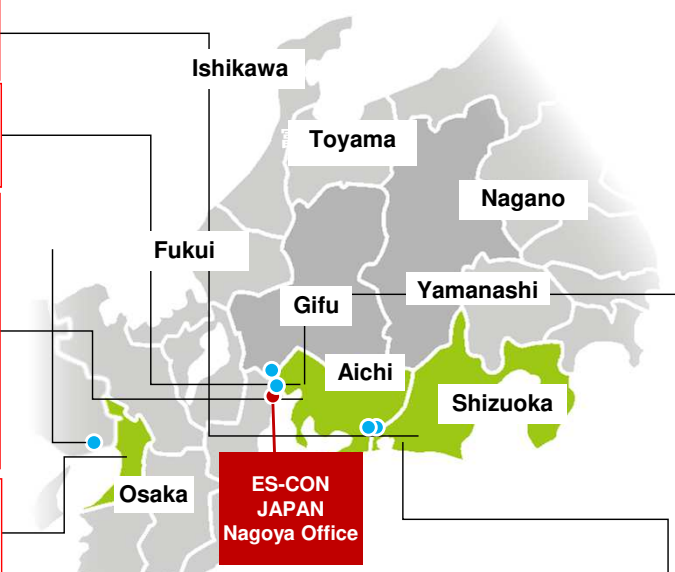
Ichinomiya-shi, Aichi
Joint projects have conducted with Chuden Real Estate
Condominium project

Shirakabe I, Higashi-Ku, Nagoya-shi
Shirakabe II, Higashi-Ku, Nagoya-shi
Joint projects have conducted with Chuden Real Estate
Condominium project



Grand Le JADE Shirakabe Getsuro-no-Tei


3 chome Fujishirodai, Suita-shi, Osaka
Joint projects have conducted with Chuden Real Estate
Mixed-use development



ES-CON JAPAN Nagoya Office


Fukuroi-shi, Shizuoka
Joint projects have conducted with Chubu Electric Power
Vertical Farms development, etc.

ES-CON JAPAN Ltd, Chubu Electric Power Co., Inc. and Spread Co., Ltd. have entered into an investor agreement regarding the establishment of TSUNAGU Community Farm LLC ("new company") which will construct and operate vertical farms.
The aim is to start construction of Techno Farm Fukuroi which will be the world's largest automated vertical farm, utilizing fully artificial light and capable of producing 10 tons of lettuce per day. It is hoped that such facilities will help resolving issues that society faces, such as the growing consumer need for food 'safety and security,' decrease in the number of farmers owing to the declining birthrate and aging population, and food supply instability due to frequent abnormal weather events.



Minato-ku, Nagoya-shi
Joint projects have conducted with Chubu Electric Power
Mixed-use development

A group of companies led by Chubu Electric Power has been selected as a potential contractor for a mixed-use development project after the Asian Games, using the site of the Nagoya Racecourse where the Asian Games will be held. The project aims to create a next-generation urban development that connects diverse people who will help each other to solve various issues facing society and foster happiness together. (ES-CON JAPAN is participating in a group of companies represented by Chubu Electric Power. ES-CON JAPAN plans to be involved in the development of complex commercial facilities.)



This presentation material has been prepared solely for the purpose of providing information, and not for soliciting investments in certain products.

The presentation material includes, in addition to a description of ESCON JAPAN REIT Investment Corporation (hereinafter the “Investment Corporation”), charts, data, etc. prepared by ES-CON ASSET MANAGEMENT Ltd. (hereinafter the “Asset Management Company”) based on data and indices published by third parties. Furthermore, it includes present analysis, judgements and other opinions of the Asset Management Company regarding such information.

The Asset Management Company is a financial instruments business operator pursuant to the Financial Instruments and Exchange Act of Japan.

The contents of the presentation material have not been audited, and neither their accuracy nor integrity is guaranteed. The analysis and judgement by the Asset Management Company are its current opinions and the contents may be modified or repealed without any advance notice.

The Investment Corporation or the Asset Management Company bear no responsibility with regard to the accuracy of the data or indices published by third parties (including data based on real estate appraisal reports).

The content of this presentation material includes statements on forecast and future operating results. Such statements do not guarantee future operating results of the Investment Corporation.

The market price of investment securities of ESCON REIT is subject to fluctuations dictated by investor supply and demand at the securities exchange and many other different factors surrounding the market, including interest rates, economic conditions and the real estate market situation. There is a risk that you may be unable to sell investment securities at any price equivalent or superior to the price at which they are acquired and that you may ultimately sustain losses.

Investment securities of the ESCON REIT are to be acquired or sold via a securities company at which you have an active account. In this event, carefully read the documents provided prior to the conclusion of a contract.

If any major revision is made to the content of this presentation material in the future, the revised version of the presentation material will be published on the website of the Investment Corporation (<https://www.escon-reit.jp/>).

