

# 13th Financial Results

for the Fiscal Period Ended July 31, 2023



**ES CON JAPAN REIT Investment Corporation**

Securities Code: 2971

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

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# 1. Financial Highlights

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## Earnings result 13th Fiscal Period

Exceeded initial forecasts from revenue increased due to higher rents from tenant replacements and events held, also various cost reductions, such as repair expenses.

- Distributions per unit (DPU) JPY 3,238 *up JPY 161 from previous forecast*
- Occupancy rate\* 99.9% *stable since listing*

## DPU forecast 14th and 15th Fiscal Period

DPU forecast for the 14th FP is in line with the initial forecast, for the 15th FP is expected to increase compared to the previous period.

- 14th FP (FY1/24) forecast : DPU JPY 3,082 *same as initial forecast*
- 15th FP (FY7/24) forecast : DPU JPY 3,144 *up JPY 62 from 14th FP forecast*

## Development the infrastructure to implement growth strategy

Vision and 3-year roadmap announced as new growth strategy under new system at the last fiscal period's financial reporting.

During the 13th FP, developed the infrastructure to implement growth strategy to be promoted.

- **Business improvement order lifted** *"implement the new governance system"*
  - Business improvement order against the Asset Manager has been lifted at the end of July 2023 with the submission and the acceptance of a final report on business improvement status to the Financial Services Agency (hereinafter, the "FSA")
  - Will continue to build and improve legal compliance and internal control systems to achieve fair and appropriate business operations
- **Establishment of Investment Marketing Department** *"external growth"*
  - Established on June 14, 2023 to create new property acquisition routes unique to the Asset Manager
  - Start considering acquisitions aimed at steadily accumulating assets through external growth
- **Create the new investment policy** *"external growth"*
  - Maintain our stance of investing primarily in lifestyle-focused assets
  - Expand target assets for investment, build portfolio to support people's affluent lifestyles for area residents

\* Occupancy rate: Leased area/Rentable area\*100

Yoshizuya Y Store Nishiharu consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased on the third floor, which was vacant as of the end of the fiscal period. Taking into account the fact that the floor is vacant, the overall occupancy rate would be 98.8%.

- The business improvement order received by the Asset Manager from the FSA on July 15, 2022 has been lifted as of the end of July 2023, as the final report on the status of business improvement was submitted to and accepted by the FSA.
- In order to realize fair and appropriate business operations, the Asset Manager implemented the following initiatives under the guidance of the supervisory authorities and with the support of ES-CON JAPAN and Chubu Electric Power Company.

## Business improvement initiatives

### Clarification of the Management Stance on Compliance with Laws and Regulations

- Announcement of the “Compliance Declaration”
- Establishment of “Management Philosophy”

### Establishment of responsible legal compliance and internal control systems by management

- Changes in the composition of the Board of Directors (including acceptance of dispatched director from Chubu Electric Power)
- Transition to a company with Audit and Supervisory Committee

### Review of Business Operation Methods

- Change in decision-making process for property acquisitions to strengthen governance structure
- Changes to the ordering work rules of real estate appraisal services
- Improved the various regulations and the manuals
- Strengthen monitoring of operations for the ordering of real estate appraisals by the Compliance Department
- Training and awareness-raising for ongoing improvement of the conflict-of-interest management system

## Future actions

- ✓ Although the business improvement order has been lifted, the Asset Manager will continue to build and improve legal compliance and internal control systems to achieve fair and appropriate business operations as well as undergo preparations to acquire properties aimed at steady external growth following the Roadmap.
- ✓ ESCON REIT plans to make a resolution at the General Meeting of Unitholders scheduled on October 27, 2023, to partially amendments of Articles of Incorporation, which includes changes to its investment stance, in an effort to increase opportunities for external growth. It also plans to make a resolution to make executive director outsiders with no relationship of special interest with ESCON REIT and ES-CON JAPAN in order to strengthen management of conflict of interest.

## Vision

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

## Roadmap (from FP7/23 to FP1/26)

*Continuous expansion of asset scale*



← Jul/2023 FP Actual →

	1st Phase (from FY7/23 to FY1/24) Regaining the trust of Stakeholder	2nd Phase (from FY7/24 to FY1/25) Improvement of Portfolio and Growth Stage	3rd Phase (from FY7/25 to FY1/26) Stable growth stage
Strengthen governance system	Implement the new governance system Publicize the new management system	✓System maintenance completed Continue to maintain and improve ✓System maintenance completed. Continue to inform the public	Maintain and improve the new governance system
External growth	Develop property information channels unique to the AM Investment policy changes ✓On approval at the General Meeting of Unitholders (27/10/2023)	✓Established the <i>Investment Marketing Department</i> . Started collecting external information and reviewing Set new asset types	Expand pipeline for external growth Incorporate new asset types Incorporate assets for solving social issues
Internal growth	✓In preparation, scheduled in FP1/24 ↓Survey and analyze facility user satisfaction Consider branding strategy	Review portfolio and consider the property replacement Implement measures to improve NOI (top-line increase, cost reduction) Review existing contracts (lease, PM, BM, etc.)	Review individual property management strategies Measures to improve facility user satisfaction Implement branding strategy
Financial Strategy	✓OngoingReview and strengthen IR activities		Fix interest rates and reduce interest costs Expand lender formation Strengthen financial base through PO Consider issuing investment corporation bonds Improve issuer rating



## Internal growth

**New tenants** \*rents accrued during FP7/23. except the residence of Yoshizuya Y store Nishiharu

Roadmap: improve NOI/top-line growth

**Total 7 tenants: Amount if new rents contribute for whole period is JPY 32mn**

### **SUROY MALL Nagamine** (Higashi-ku, Kumamoto-shi)

**“MUJI”** opened on Jun 2

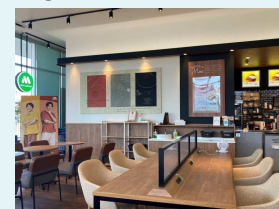
- Locally welcomed 2nd MUJI store in Kumamoto-shi
- Crowded from opening day. The number of visitors continued to exceed the company expectations



### **Tonarie Yamatotakada** (Yamatotakada-shi, Nara)

**“MOS Burger”** opened on Mar 28

- The only Mos Burger in Yamatotakada-shi. Also, the only hamburger restaurant near Yamato Takada Sta.
- Wide range of needs, neighbors at lunch time and returning customers at night.



### **Tonarie Seiwadai** (Kawanishi-shi, Hyogo)

**“Japanese cafeteria Hidamari”**

opened on Mar 23

- Opened in response to requests from customers "We need a restaurant that can be used casually".
- Operated by the deli that has been for 30 years.



## Other revenues (Events etc.,)

Roadmap: improve NOI/top-line growth

**Revenue from events: vs. FP7/22\* up JPY 5.7mn (+38.2%)**

### **tonarie Yamatotakada**

- Monthly "Crawling Race" sponsored by Akachan Honpo
- Increased family visits, attracting more customers to other stores



### **tonarie Yamatotakada**

- The summer event held by the tenant association
- Many families came to enjoy the "Ice Pillar Treasure Hunt" and "Soap Bubbles" etc.,.



### **Asumigaoka Brand-New Mall** Midori-ku, Chiba-shi

- Sales promotion by tenant in the hall on the first floor
- Customers stop by while shopping. It is effective in extending your stay.



## External growth

### Strengthened the base of property acquisition

Roadmap: Develop property information channels

Established the **“Investment Marketing Department”** on June 14, 2023

- Sourcing, Market research, Due diligence, Underwriting and Closing
- Started collecting external information

Number of information collected in FP7/23 - Total 216

(in which: direct referrals from sellers: 13%, proprietary routes/networks: 26% and other major real estate brokers) → 33 for detailed consideration

\*Compared with the same period of the previous year to eliminate seasonal factors

## 2. Earnings Results

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# Earnings Results vs. previous period

Despite positive contributions from reduced utility and other costs, the absence of revenue from an accident involving water leaks at *tonarie Seiwadai* and cost reimbursement with the sponsor during the previous period resulted in decreased operating income. Net income also decreased due to previous period's compensation for damages dropping off.

## 13th - July 2023 Fiscal Period vs. previous period

(JPY million)

	12th Jan 2023 FP Actual (a)	13th Jul 2023 FP Actual (b)	vs. previous period (b-a)
Operating revenues	2,541	<b>2,497</b>	-43
Operating income	1,362	<b>1,255</b>	106
Ordinary income	1,194	<b>1,140</b>	-54
Net income	1,859* <sup>1</sup>	<b>1,139</b>	-719
DPU	JPY 5,283* <sup>1</sup>	<b>JPY 3,238</b>	JPY -2,045
Depreciation	179	<b>183</b>	3
NOI after depreciation	1,571	<b>1,462</b>	-109
NOI yield after depreciation	4.5%	<b>4.2%</b>	-24bp* <sup>2</sup>
FFO	2,039* <sup>1</sup>	<b>1,323</b>	-716
FFO payout ratio* <sup>3</sup>	91.2%* <sup>1</sup>	<b>86.1%</b>	-505bp
Number of operating days	184 days	<b>181 days</b>	-3 days

\*<sup>1</sup> Without taking into account the JPY 666 million in compensation for damages received from the Asset Manager, net income for the 12th FP was JPY 1,193 million and the DPU was JPY 3,390, FFO payout ratio was 89.9%.

\*<sup>2</sup> bp: an abbreviation for basis point, 1 bp=0.01%. The same applies below

\*<sup>3</sup> FFO payout ratio = Total distribution / (Net income + Depreciation)

## Main change factors vs. previous period

(JPY million)

Operating revenues	Temporary decrease in revenue due to tenant replacement with blank period (MUJI in <i>SUROY MALL Nagamine</i> ) -8.0, Decrease in utility income (mainly electricity) -32.4, Insurance proceeds due to water leakage at <i>tonarie Seiwadai</i> +41.9, Absence of revenue from reimbursement of expenses with sponsors implemented during the 12th FP -41.0, Increase or decrease in various leasing business revenues, etc. -3.9	-43.4
Leasing business expenses	Increase in repair costs -18.8, Reduce in utility expenses (mainly electricity) +39.5 *Balance of utility charges (NET) +7.2, Increase in property insurance premiums -5.9, Payment of compensation for damages due to water leakage at <i>tonarie Seiwadai</i> -70.2 *NET -28.3, Increase or decrease in various leasing business expenses, etc. -10.3	-65.7
Administrative expenses	Increase or decrease in various administrative expenses, etc.	+2.4
Non-operating income/ expenses	Absence of refinancing costs incurred in the 12th FP, etc.	+52.6
Extraordinary Income/ expenses	Absence of compensation for damages received from the Asset Manager during the 12th FP	-666.0
Income tax	Decrease of income tax, etc.	+0.5
Total		-719.6

## Balance of electricity expenses vs. previous period

(JPY million)

	12 <sup>th</sup> FP Actual	13th FP Actual	vs.
Balance of electricity expense (NET)	-16.6	-8.8	+7.7

- Reduce electricity usage
  - Switching to LED, Reduce lighting time, Reduce number of lighting,
  - Adjust the temperature setting of the air conditioner
- Change electricity billing method
  - Revised from fixed amount billing to variable billing method

# Earnings Results vs. forecasts

DPU: JPY 3,238, surpassing the initial forecast by JPY 161

Increase in rent from tenant replacement at facilities, growth in event revenue, reduced utility charges, and reduced repair expenses, etc.

## 13th - July 2023 Fiscal Period vs. forecasts

(JPY million)

	13th Forecasts as of Mar. 17, 2023 (a)	13th Jul 2023 FP Actual (b)	vs. forecasts (b-a)
Operating revenues	2,507	<b>2,497</b>	-10
Operating income	1,204	<b>1,255</b>	50
Ordinary income	1,084	<b>1,140</b>	56
Net income	1,083	<b>1,139</b>	56
DPU	JPY 3,077	<b>JPY 3,238</b>	JPY 161
Depreciation	182	<b>183</b>	0
NOI after depreciation	1,426	<b>1,462</b>	36
NOI yield after depreciation	4.1%	<b>4.2%</b>	11bp
FFO	1,266	<b>1,323</b>	57
FFO payout ratio	85.5%	<b>86.1%</b>	59bp
Number of operating days	181 days	<b>181 days</b>	0 days

## Main change factors vs. forecasts

(JPY million)

Operating revenues	Increase in rent due to tenant replacement +3.1, Decrease in utility income (mainly electricity) -62.6, Insurance proceeds due to water leakage at <i>tonarie Seiwadai</i> +41.9 *net -29.8 and no insurance proceeds in the initial forecasts, Increase or decrease in various leasing business revenues, etc. +7.5	-10.1
Leasing Business Expenses	Reduce repair expenses +9.0, Reduce utility expenses (mainly electricity) +73.8 *Balance of utility charges (NET) +11.2, Payment of compensation for damages to tenant due to water leakage at <i>tonarie Seiwadai</i> -40.4 *net -29.8 and no insurance proceeds in the initial forecasts, Increase or decrease in various leasing business revenues, etc. +3.8	+46.2
Administrative Expenses	Downturn in various expenses, etc.	+14.7
Non-operating income/ expenses	Decrease in interest expenses due to a downturn in the benchmark interest rate *variable interest , etc.	+5.4
Income tax	Decrease of income tax, etc.	+0.3
Total		+56.5

### 3. Earnings Forecasts

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# Earnings Forecasts, 14th - January 2024 FP

DPU forecast: JPY 3,082, in line with the initial forecast

Considering temporary factors such as costs related to the additional response for the water leakage accident at *tonarie Seiwadai*, general meeting of unitholders, and refinancing, lower year-on-year figures are forecast, but with savings from reduced utility charges

## 14th - January 2024 Fiscal Period forecasts

(JPY million)

	13th Jul 2023 FP Actual (a)	14th Forecasts as of Mar. 17, 2023 (b)	14th Forecasts as of Sep. 14, 2023 (c)	vs. previous period (c-a)	vs. previous forecasts (c-b)
Operating revenues	2,497	2,552	<b>2,464</b>	-33	-87
Operating income	1,255	1,231	<b>1,231</b>	-24	0
Ordinary income	1,140	1,085	<b>1,085</b>	-54	0
Net income	1,139	1,084	<b>1,084</b>	-55	0
DPU	JPY 3,238	JPY 3,082	<b>JPY 3,082</b>	JPY -156	JPY 0
Depreciation	183	187	<b>188</b>	4	0
NOI after depreciation	1,462	1,455	<b>1,457</b>	-5	2
NOI yield after depreciation	4.2%	4.2%	<b>4.2%</b>	-8bp	1bp
FFO	1,323	1,272	<b>1,273</b>	-50	0
FFO payout ratio	86.1%	85.3%	<b>85.2%</b>	-92bp	-6bp
Number of operating days	181 days	184 days	<b>184 days</b>	+3 days	0 days

## Main change factors vs. previous period

(JPY million)

Operating revenues	Rent reduction for gym at <i>tonarie Seiwadai</i> -15.5, Improving income at <i>SUROY MALL Nagamine</i> through MUJI's new rent, etc. +16.5, Increase in utility income (mainly electricity) +19.3, Absence of insurance proceeds due to water leakage at <i>tonarie Seiwadai</i> in the 13th FP-41.9, Increase or decrease in various leasing business revenues, etc. -11.6	-33.2
Leasing business expenses	Increase in utility charges (mainly electricity) -20.7 *Balance of utility charges (NET) -1.4, Absence of compensation for damages to tenants due to water leakage at <i>tonarie Seiwadai</i> +70.2, Additional compensation for damages to the tenant due to water leakage at <i>tonarie Seiwadai</i> -10.0, Increase in repair expenses -7.8, Increase or decrease in various leasing business expenses, etc. -3.6	+28.1
Administrative expenses	Expenses for general meeting of unitholders -8.4, Increase or decrease in various expenses, etc. -10.7	-19.1
Non-operating income/ expenses	Refinancing costs incurred in the 14th FP	-30.5
Income tax	Increase of corporation tax, etc.	-0.3
Total		-55.0

## Main change factors vs. initial forecasts

(JPY million)

Operating revenues	Decrease in utility income (mainly electricity) -84.6, Increase or decrease in various leasing business revenues, etc. -3.2	-87.8
Operating expenses	Decrease in utility charges (mainly electricity) +96.6 *Balance of utility expenses (NET) +11.9, Additional payment of compensation for damages to tenant due to water leakage at <i>tonarie Seiwadai</i> -10.0, Increase or decrease in various leasing expenses, etc. +3.3	+89.9
Administrative expenses	Increase or decrease in various expenses, etc. -1.9	-1.9
Total		+0.2

# Earnings Forecasts, 15th - July 2024 FP

DPU forecast: to reach JPY 3,144, JPY 62 over the previous period forecast

Due to increased leasing business revenue by tenant replacement and the absence of temporary expenses expected in the 14th fiscal period

## 15th - July 2024 Fiscal Period forecasts

(JPY million)

	14th Forecasts as of Sep. 14, 2023 (a)	14th Forecasts as of Sep. 14, 2023 (b)	vs. previous period forecasts (b-a)
Operating revenues	2,464	<b>2,485</b>	21
Operating income	1,231	<b>1,229</b>	-1
Ordinary income	1,085	<b>1,107</b>	21
Net income	1,084	<b>1,106</b>	21
DPU	JPY 3,082	<b>JPY 3,144</b>	JPY 62
Depreciation	188	<b>192</b>	4
NOI after depreciation	1,457	<b>1,447</b>	-10
NOI yield after depreciation	4.2%	<b>4.2%</b>	2bp
FFO	1,273	<b>1,299</b>	26
FFO payout ratio	85.2%	<b>85.2%</b>	-6bp
Number of operating days	184 days	<b>182 days</b>	-2 days

## Main change factors vs. previous period forecasts

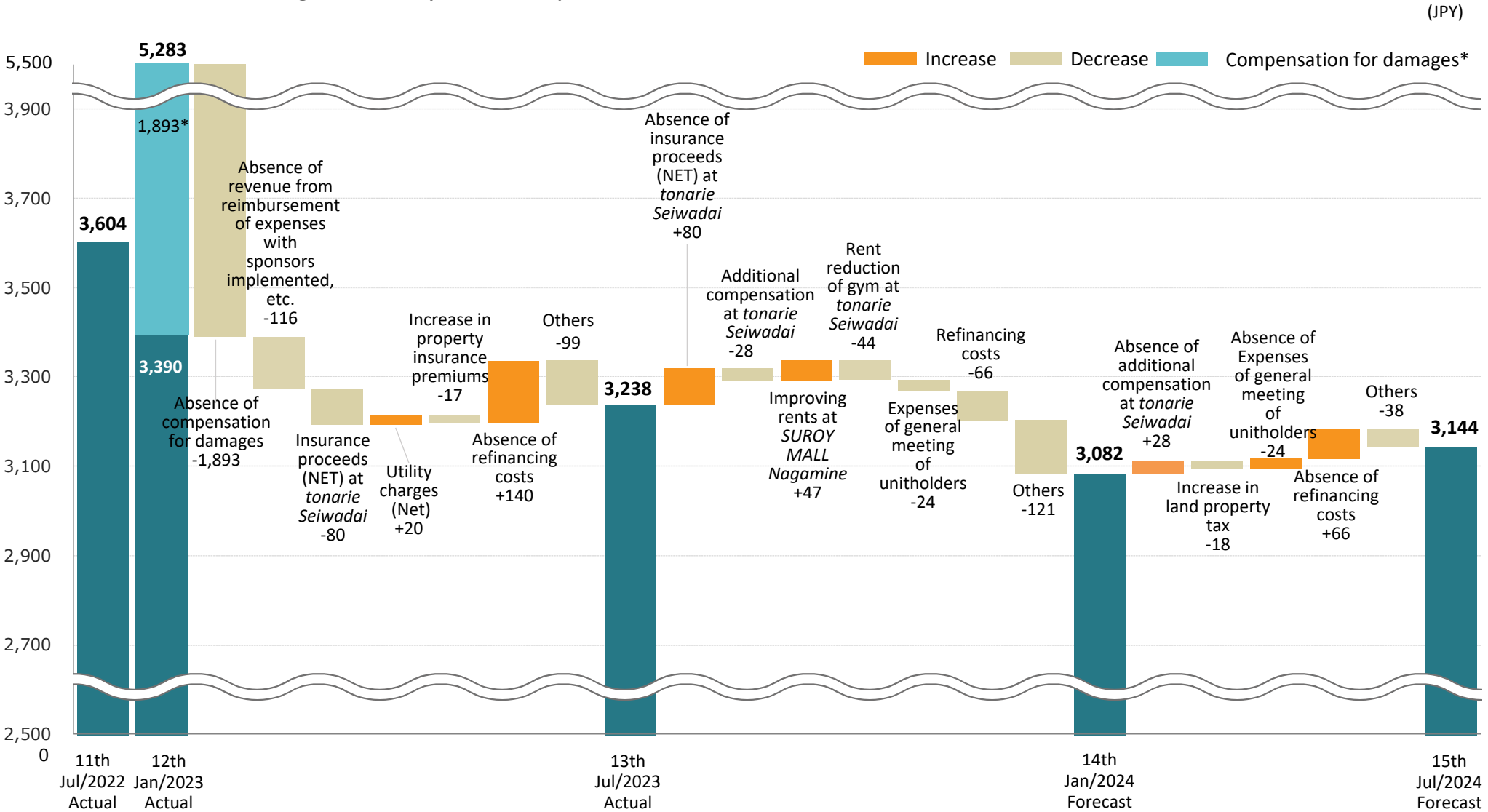
(JPY million)

Operating revenues	Increase in revenue due to tenant replacement +5.7, Increase in utility income (mainly electricity) +9.4, Restoration fee from the tenant +9.9, Increase or decrease in various leasing business revenues, etc. -3.6	+21.4
Leasing business expenses	Increase in utility charges (mainly electricity) -9.9 *Balance of utility charges (NET) -0.5, Absence of compensation for damages to the tenant due to water leakage at <i>tonarie Seiwadai</i> +10.0, Increase in repair expenses -17.5 *NET with restoration fee -7.6, Increase in land property tax -6.2, Increase or decrease in various leasing business expenses, etc. -8.0	-31.6
Administrative expenses	Absence of expenses for 7 <sup>th</sup> general meeting of unitholders, etc.	+8.4
Non-operating income/ expenses	Absence of refinancing costs incurred in the 14th FP	+23.6
Total		+21.8

# Factors of Change in Distribution per unit

**14th (Jan. 2024) FP:** Distributions expected to decrease due to temporary factors such as costs related to the additional response for the water leakage at *tonarie Seiwadai*, general meeting of unitholders, and refinancing, etc.

**15th (Jul. 2024) FP:** Distributions are expected to increase due to absence of temporary factors in the previous period, in addition to increased leasing income by tenant replacement



\*Recording of JPY 666 million in compensation for damages received from the Asset Manager during the 12th FP as extraordinary income



## 4. New Investment Policy

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- Amendments to the Asset Manager's management guidelines planned contingent on approval of the "Partial Amendment of Articles of Incorporation" agenda item at the General Meeting of Unitholders (slated for October 27, 2023)
- Review planned for ESCON REIT's fundamental philosophy and growth strategy

## Present

With the support of ES-CON JAPAN, a general developer with abundant experience in real estate development and management, ESCON REIT aims to achieve steady growth of assets under management and maximize unitholder value by investing mainly in lifestyle-focused commercial facilities and leasehold land



Lifestyle-focused commercial facilities

Leasehold land

### Support from the sponsor

1. Real estate development capabilities as a "Life Developer"
2. Real estate management know-how of the ES-CON JAPAN Group



"Delivers the energy that is indispensable to people's lives also contributes to the development of society"



**Chubu Electric Power Group**

## Revised

By investing in Lifestyle-focused Assets\*<sup>1</sup> through the Asset Manager's capacities as well as with sponsors and support companies, ESCON REIT aims to revitalize local communities and realize people's affluent lifestyles, thereby achieving steady growth of assets under management and maximizing unitholder value.



### Lifestyle-focused Assets \*including leasehold land

Commercial facilities

Residence

Assets aimed at creating a sustainable society\*<sup>2</sup>

### Abundant support to drive external -1 and internal growth -2



#### Asset Manager

1. Unique property acquisition route
2. Outstanding expertise, Well-experienced, Professional partners and network utilization, etc.



#### Sponsor

1. Providing property information, warehousing functions, etc.
2. Property management advisory services, leasing support, etc.



#### Supporters

1. Providing property information, warehousing\*<sup>3</sup> functions, etc.
2. Providing expertise of environmental technology and energy cost reduction, etc.

\*<sup>1</sup> "Lifestyle-focused assets" refers to commercial facilities, residence, and assets aimed at creating a sustainable society\*<sup>2</sup> that support lifestyles of abundance for residents of highly convenient urban areas or areas with easy access to major cities by providing everyday goods and services. The same applies below

\*<sup>2</sup> "Assets aimed at creating a sustainable society" refers to assets that contribute to the creation of a sustainable society by solving social issues that affect local communities, such as declining birth rates, aging populations, environmental and energy issues, labor and education issues, and problems wrought by natural disasters, to help build lifestyles of abundance. The same applies below

\*<sup>3</sup> Chuden Real Estate serves as the entity providing warehousing functions.

Aim to achieve steady asset growth and maximize unitholder value based on two fundamental strategies of "external growth that seeks portfolio stability and growth" and "internal growth that seeks growth potential of rent revenues"

## External growth (Portfolio stability and growth)

### Multiple property information channels



### Investing in "lifestyle-focused assets"

Assets that support people's affluent lifestyles and community revitalization

Lifestyle-focused Assets	Commercial facilities	60% or more*
	Residence	20% or less*
	Assets aimed at creating a sustainable society* <sup>2</sup>	20% or less*

AUM 150 billion yen in 3 years

## Internal growth (Growth potential of rent revenues)

### Efforts to increase rent revenues

- Acquire tenants early and optimally, increase customer attraction through events and promotions
- Review of maintenance and management costs
- Improve customer satisfaction

### Efforts to improve asset value

- Repairs and renovations based on long-term repair plans
- Redevelopment and renovations in collaborate with sponsors
- Branding of owned assets

### Leverage Asset Manager human resources

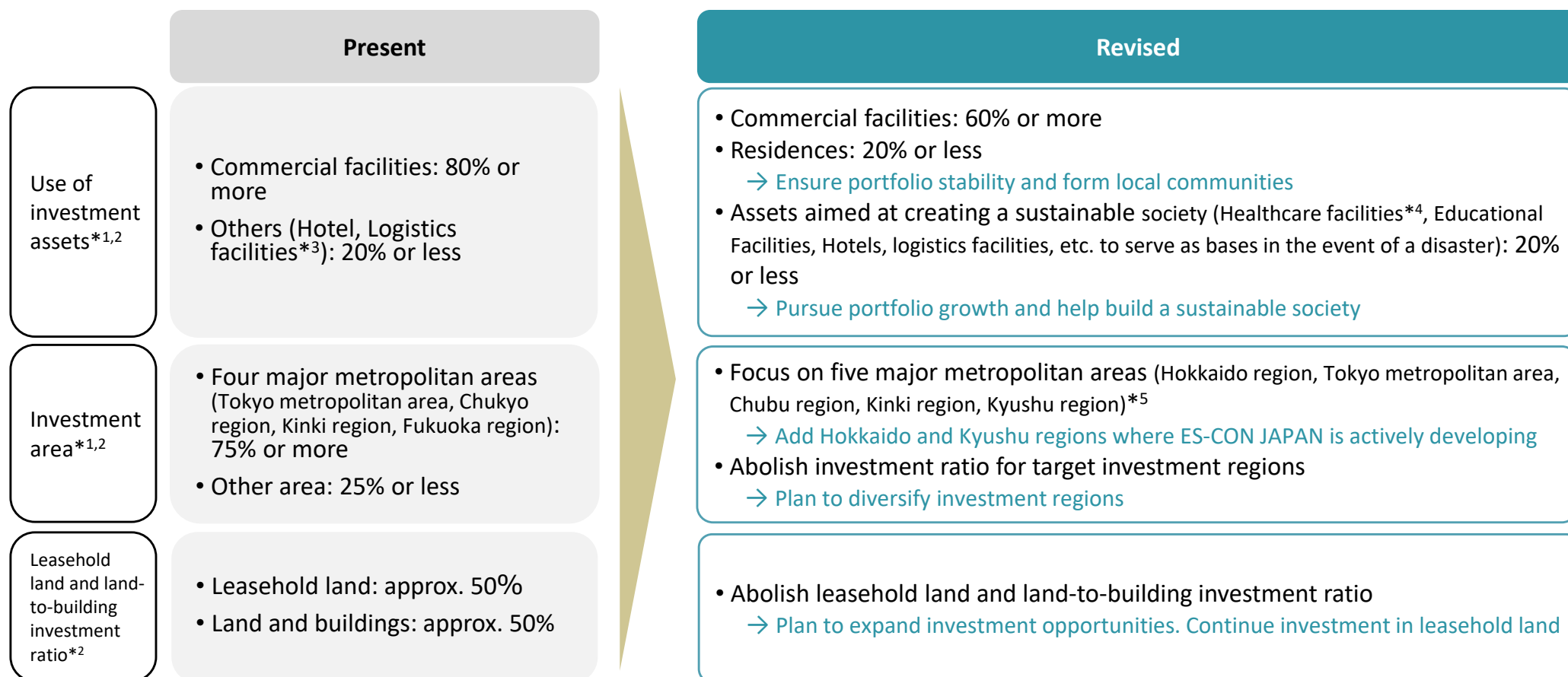
- Recruit human resources with expertise, extensive experience, and a wide personal network
- Use knowledge and expertise possessed by internal and external human resources

### Leverage support from the ES-CON JAPAN Group and the Chubu Electric Power Group

- Sponsor support from ES-CON JAPAN: Property management advisory services, leasing support, etc.
- Support from Chubu Electric Power and Chuden Real Estate: Providing expertise of environmental technology and energy cost reduction, etc.

Increase NOI yield

- ESCON REIT aims to increase investment opportunities and build a portfolio that seeks stability and growth by change of “Use of investment assets”, “Investment area” and “Leasehold land and land-to-building investment ratio”
- Maintain stance of investing mainly in lifestyle-focused assets



\*1 Includes leasehold land

\*2 Based on acquisition price

\*3 Excludes residences, student dormitories, corporate employee housing and healthcare facilities\*4.

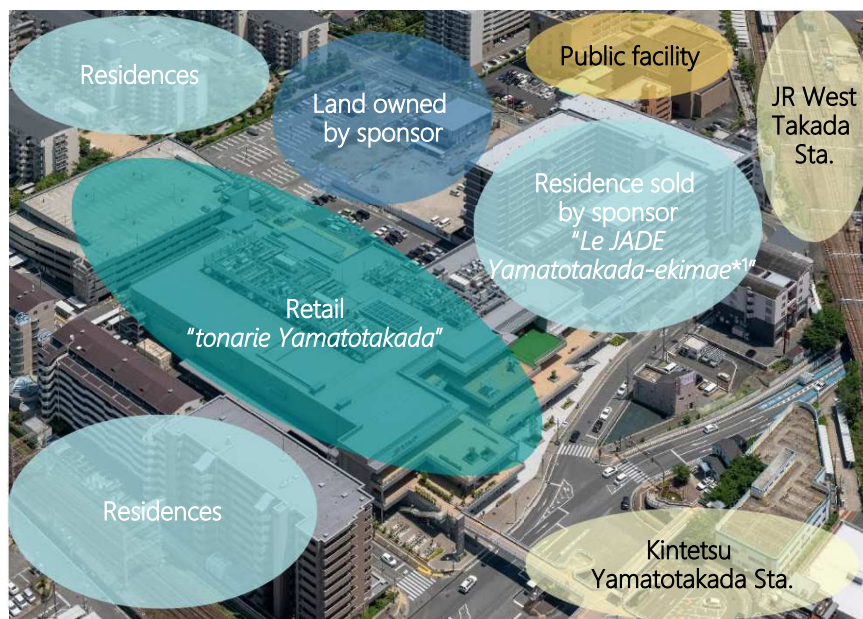
\*4 "Healthcare facilities" refer to serviced housing for the elderly set forth in Article 5 of the Act on Securing of Stable Supply of Elderly Persons' Housing, paid nursing homes set forth in Article 29 of the Act on Social Welfare for the Elderly, or elderly group homes for those with dementia based on Paragraph 2 (6) of Article 5-2 of the same law. Hospitals as defined in Paragraph 1 of Article 1-5 of the Medical Care Act are not included. The necessary systems and procedures for investing and managing assets that fall under healthcare facilities are being considered in advance according to the "Guideline on Using REITs for Senior Housing and Other Facilities" set forth by the Ministry of Land, Infrastructure, Transport, and Tourism.

\*5 Hokkaido region – Hokkaido/ Tokyo metropolitan area – Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma/Chubu region – Aichi, Shizuoka, Mie, Nagano and Gifu/Kinki region – Osaka, Kyoto, Hyogo, Nara and Shiga; Kyushu region – Fukuoka, Kumamoto, Saga, Nagasaki, Oita, Miyazaki and Kagoshima

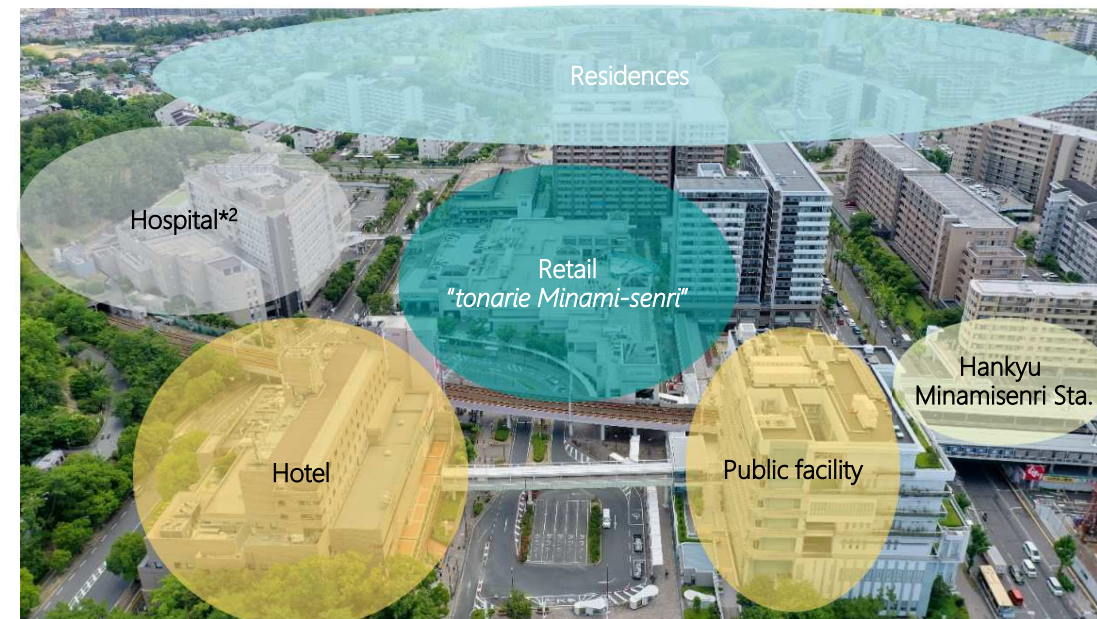


Aim to revitalize local communities and realize people's affluent lifestyles through synergy by implementing initiatives that leverage the features of surrounding assets while also considering investments centered on commercial facilities located in areas where people live

Example: *tonarie Yamatotakada* area



Example: *tonarie Minami-senri* area



## Characteristics of assets to focus on in investing

### ● Commercial facilities

- i. High level of convenience
- ii. High level competitiveness and area occupancy rate from product/tenant compositions that meet needs
- iii. Strong resistance to e-commerce by dealing primarily in essential goods
- iv. Contribution to community-building

### ● Residence

- i. Locations where stable residential demand can be expected
- ii. Building features that provide comfortable living
- iii. Synergy with assets owned by ESCON REIT

### ● Assets aimed at creating a sustainable society

- i. Ability to solve social issues
- ii. Coexistence and collaboration with the local community
- iii. Operator\*3 capability

\*1. Le Jade Yamatotakada-ekimae is a condominium integrated with *tonarie Yamatotakada* developed by ES-CON JAPAN, the sponsor of ESCON REIT.

\*2. ESCON REIT does not invest in hospitals as defined in Paragraph 1 of Article 1-5 of the Medical Care Act.

\*3. "Operator" refers to the lessee (including sub-lessees) of assets that help to create a sustainable society (including healthcare facilities) held by ESCON REIT, and also to those who operate businesses related to such assets.



## Examples of ES-CON JAPAN's Development Projects

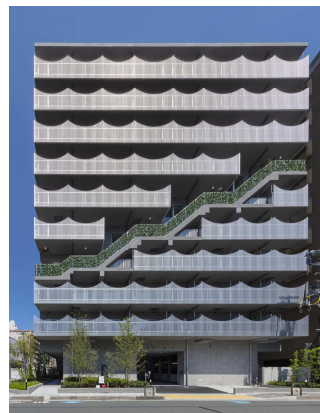
Roadmap: Expanding the Pipeline for External Growth

A general developer with apartment and condominium development as its core business that engages in profit-earning real estate, redevelopment, and a broad range of other development projects in different cities

- Runs **tonarie**, a **community-based commercial facility** supporting daily life, with 10 locations nationwide
- Promotes community building by participating in a **development project for part of Hokkaido Ballpark F Village** in Kitahiroshim-city, Hokkaido, as well as **Kitahiroshima Station “West Exit Area Revitalization Project”**
- Launched **the new rental residence brand TOPAZ** in March 2023, with two properties already complete. Plans to expand primarily in the Tokyo Metropolitan area and Kansai region in the future



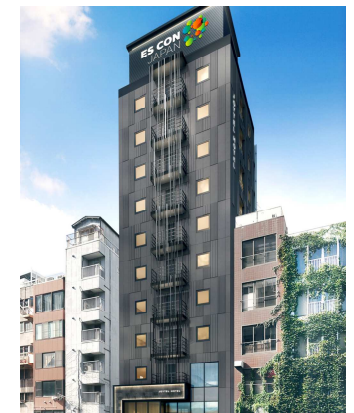
**tonarie CREO** (Ibaraki, Directly connected to Tsukuba Sta.)  
Integrated with *tonarie Q't* and *tonarie MOG*



**TOPAZ Esaka**  
111 units (Suita-city, Osaka)



**Senior Residence in Hokkaido Ballpark F Village**  
Medical mall attached (Kitahiroshima-city)



**Joy hotel Namba Dotonbori**  
3 min walk from Namba Sta. Osaka



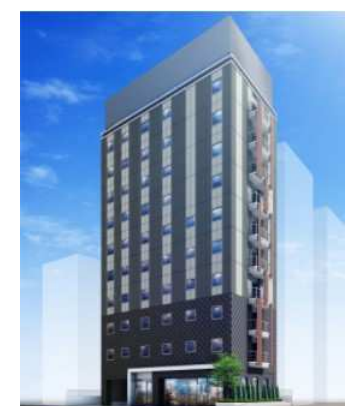
**tonarie Hoshida** (Osaka, 3 min walk from Hoshida sta.)  
Land readjustment project with supermarket and medical mall



**TOPAZ Shin-okachimachi**  
48 units (Taito-ku, Tokyo)



**Clinic mall** (Hirohata-ku, Himeji)  
Medical and nursing care area, with hospital



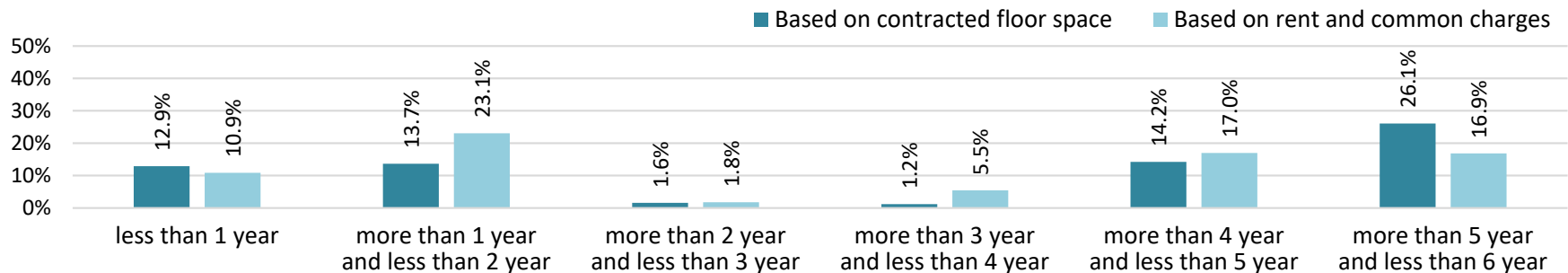
**Hotel Livemax Hakata Nakasu**  
5 min walk from Hakata Sta. Fukuoka



## Contract renewal: aiming to promote raising rent revenue by tenant turnover and increase rent revenue

Roadmap: NOI improvement (top-line increase)

- Contract renewal schedule (total of land and buildings except leasehold lands)



- Contract renewal schedule by property (next three fiscal period)

	14th, Jan. 2024 FP	15th, Jul 2024 FP	16th, Jan 2025 FP
tonarie Minami-senri			39
tonarie Yamatotakada		1	35
Asumigaoka Brand-New Mall	11	2	
Nishi-shiroi Ekimae Plaza	4		

\*tonarie Minami-senri  
Considering facility renovation after Jan. 2025 FP

## Continue cost reduction measures

Roadmap: NOI improvement (cost reduction)

- Utility expenses  
Consider and implement such measures of improvement of increase and expenditure as (1) reducing facility electricity usage, (2) revising tenant billing rates, and (3) installing renewable energy devices
- Replacement of air conditioning equipment
- Review of outsourcing expenses

## Survey and analyze facility user satisfaction

Roadmap: Survey and analyze facility user satisfaction

- In preparation, scheduled in Jan 2024 fiscal period

Investigate visitor and tenant satisfaction levels, understand current satisfaction levels, needs, and changes in the consumer market  
This will be one of the food for thought of how each facility contributes to the community as “lifestyle-focused assets”

## 5. Financial Status and Policy

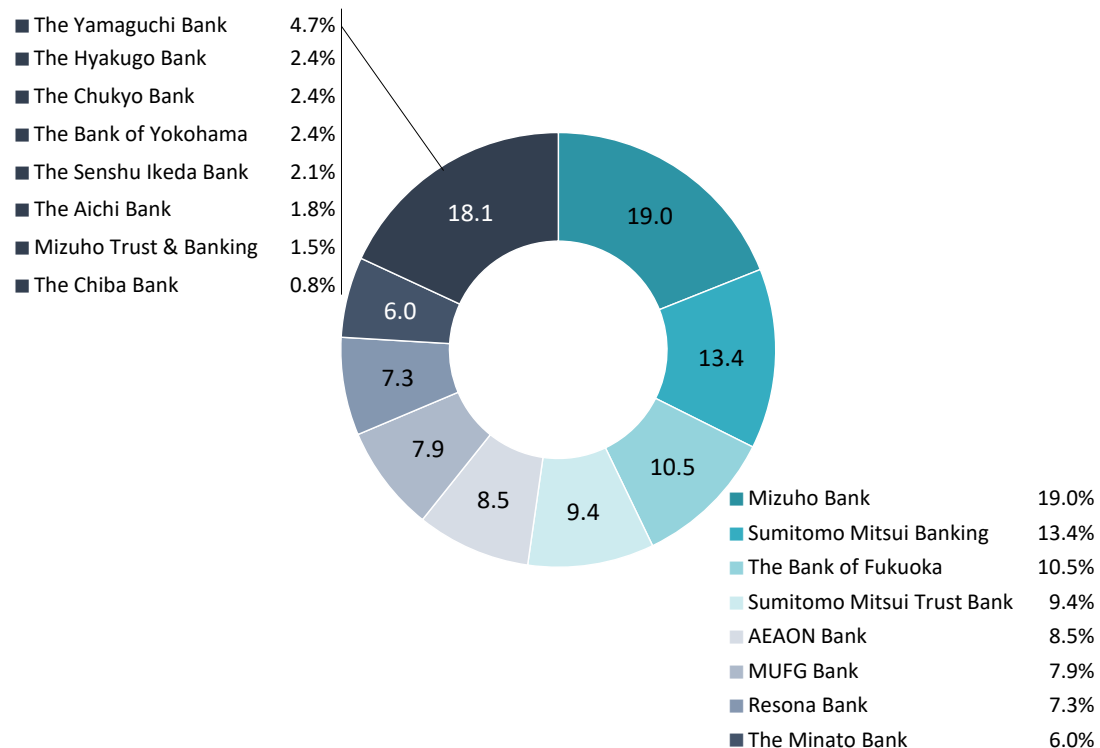
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## Financial highlights

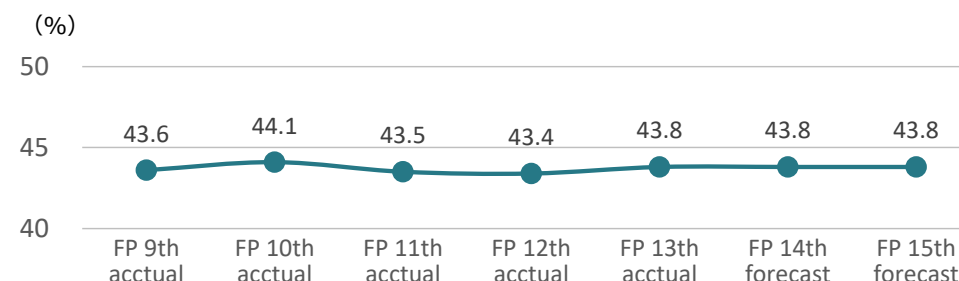
(as of July 31, 2023)

Total interest-bearing debt	JPY 33.09 mn	Average remaining term	2.7 years
Average Interest Rate	0.49%	Ratio of long-term borrowings	100.0%

## Lender status



## LTV control\*



\*LTV (%) for each period is calculated by the formula:  
Interest-bearing liabilities at end of period/Total assets at end of period\*100.

## Acquisition of Issuer rating by R&I

**A- (Stable)**

Acquisition of issuer credit rating in November 2019,  
(rating maintained in November 2022)

>referenced from the press release of R&I

It is expected that the direct impact of the administrative disposition on the operations and finances of existing properties will be limited. The occupancy rate of the portfolio has remained at 99.9%, and revenues have generally been strong, as we have concluded long-term lease contracts (average remaining lease term of over 10 years) with tenants.

## Future policies

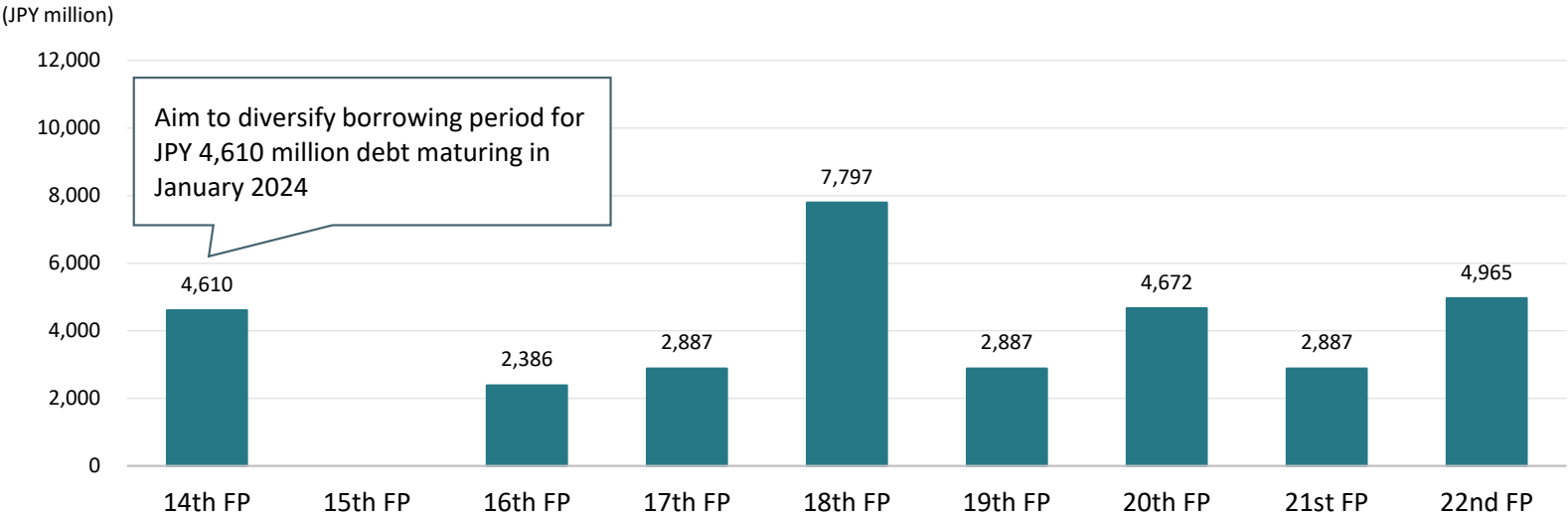
### Environmental Awareness

- Following the lifting of the administrative disposition against the Asset Manager, the stance toward lending to ESCON REIT among lenders has returned to its prior state and is favorable
- While short-term domestic interest rates will not be expected to rise for the time being, ESCON REIT pays close attention to the timing for monetary policy change based on commodity prices, exchange rates, geopolitical risks, and more

### Maintaining financial stability while controlling interest costs

- The new debt financing will be based on long-term fixed interest rate financing, while flexibly diversifying fixed/variable interest rate and repayment deadlines in order to achieve efficient fundraising.
- Aim to expand fundraising sources in line with growth in asset size while maintaining a good relationship with existing lenders
- Implement controls at appropriate LTV levels that are mindful of securing fundraising capacity

## Debt repayment schedule



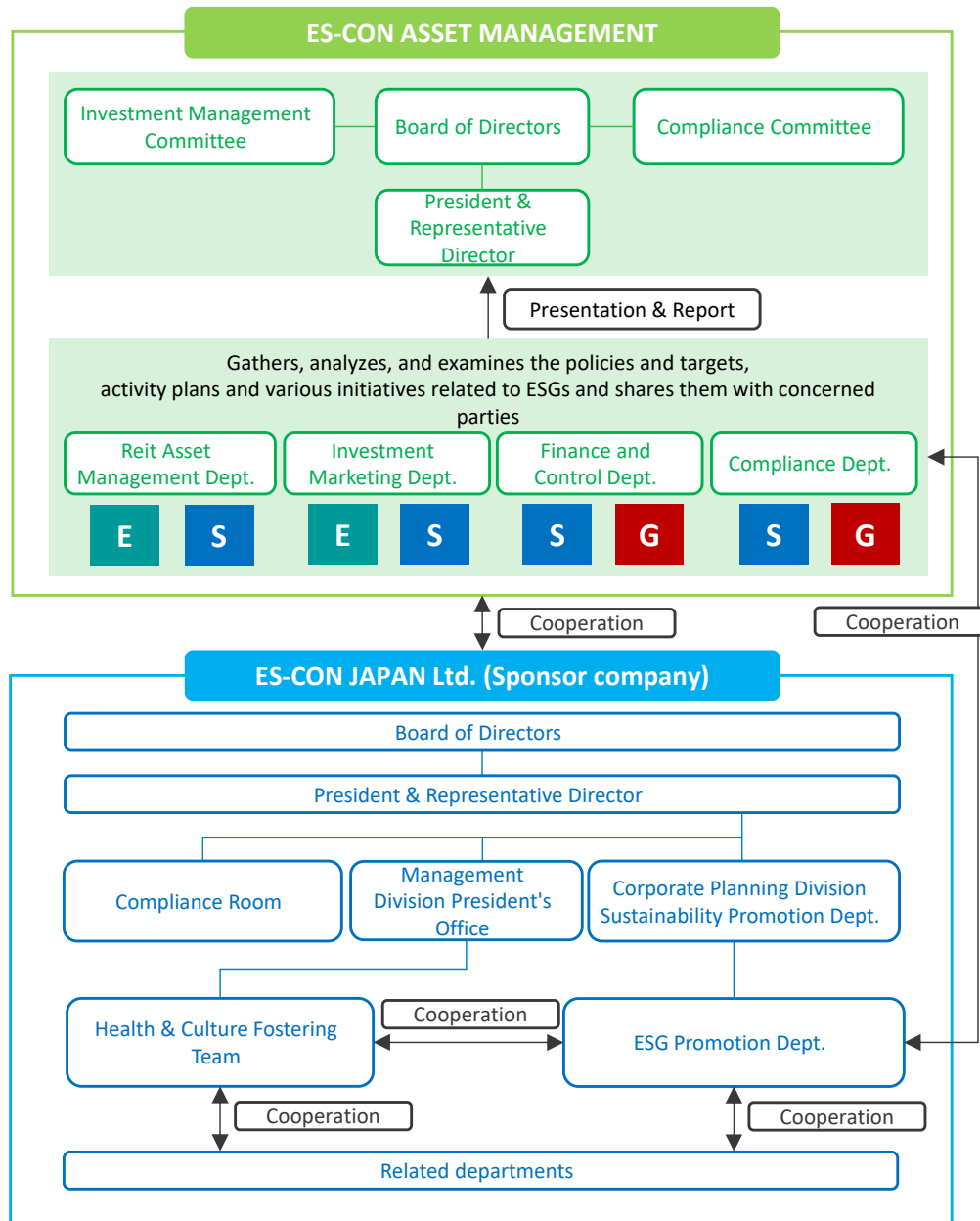
## 6. ESG Initiatives

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	Key Issues	Policy	Relevant SDGs
<div>E</div> <div>Environment</div>	<ul style="list-style-type: none"> <li>Reduce environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Aim to improve the efficiency of energy consumption and reduce greenhouse gas emissions in the portfolio</li> </ul>	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>13 CLIMATE ACTION</div>
	<ul style="list-style-type: none"> <li>Acquire external certifications</li> </ul>	<ul style="list-style-type: none"> <li>Strive to reduce environmental impact by obtaining environmental certifications and evaluations</li> </ul>	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>13 CLIMATE ACTION</div>
	<ul style="list-style-type: none"> <li>Take environmental issues into consideration through collaboration with tenants</li> </ul>	<ul style="list-style-type: none"> <li>Aim to introduce green lease clauses in cooperation with tenants</li> </ul>	<div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>13 CLIMATE ACTION</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>
<div>S</div> <div>Social</div>	<ul style="list-style-type: none"> <li>Coexist and cooperate with the local community</li> </ul>	<ul style="list-style-type: none"> <li>Through contributions to the local community, aim to solve social issues and enhance local value</li> </ul>	<div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>
	<ul style="list-style-type: none"> <li>Improve safety and comfort for customers and tenants</li> </ul>	<ul style="list-style-type: none"> <li>Aim to contribute to the local community by creating and maintaining safe and secure spaces</li> </ul>	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>11 SUSTAINABLE CITIES AND COMMUNITIES</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
	<ul style="list-style-type: none"> <li>Create a comfortable work environment</li> </ul>	<ul style="list-style-type: none"> <li>Promote the creation of a favorable work environment to ensure employees' health and a fulfilling social life</li> </ul>	<div>3 GOOD HEALTH AND WELL-BEING</div> <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div>
<div>G</div> <div>Governance</div>	<ul style="list-style-type: none"> <li>Further strengthen governance</li> </ul>	<ul style="list-style-type: none"> <li>To prevent fraud and corruption as an organization, promote clarification of governance structure and reinforcement of the system</li> </ul>	<div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div>
	<ul style="list-style-type: none"> <li>Disclose information to stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Foster a relationship of trust with stakeholders through proactive information disclosure and dialogue</li> </ul>	<div>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>17 PARTNERSHIPS FOR THE GOALS</div>



## ESG Promotion Structure



## Environment

### Reduce environmental impact

- 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), Yoshizuya Y Store Nishiharu, SUROY MALL Nagamine and Asumigaoka Brand-New Mall.

- 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



### Take environmental issues into consideration through collaboration with tenants

- The introduction of green lease clauses\***

ESCON REIT works with tenants going forward to promote the introduction of green lease clauses, such as incorporating clauses in lease agreements with tenants to cooperate with efforts to improve the comfort and productivity of properties related to energy conservation and environmental considerations.

\* 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.

## Social

### Coexist and cooperate with the local community

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

- **Holding activities that contribute to society a variety of events in which members of the local communities and tenants can participate**



Old clothes Collection Activities  
“tonarie Yamatotakada”



Blood donation campaign  
“tonarie Seiwadai”



Participation in Shared Ride Taxi Business  
“Asumigaoka Brand-New Mall”

- **Certified as dementia-friendly shopping center and Holding a dementia awareness event**

ESCON REIT is working to create age-friendly communities, including older people with dementia. Some tenants in tonarie Seiwadai have taken dementia supporter courses and this commercial facility was certified as a dementia-friendly shopping center by Hyogo Prefectural Government. In addition, ESCON REIT held a dementia awareness event at tonarie Minami-senri. ESCON REIT will continue to promote initiatives.

- **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, ESCON REIT is introducing a breastfeeding room in our facilities.  
(tonarie Minami-senri, tonarie Seiwadai, Asumigaoka Brand-New Mall, tonarie Toga•Mikita, tonarie Yamatotakada)
2. With the aim of improving the workplace environment for tenant employees, ESCON REIT is 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)



Breastfeeding room  
“tonarie Yamatotakada”



Resting rooms for tenant employees  
“tonarie Toga•Mikita”

### Create a comfortable workplace environment of the 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.

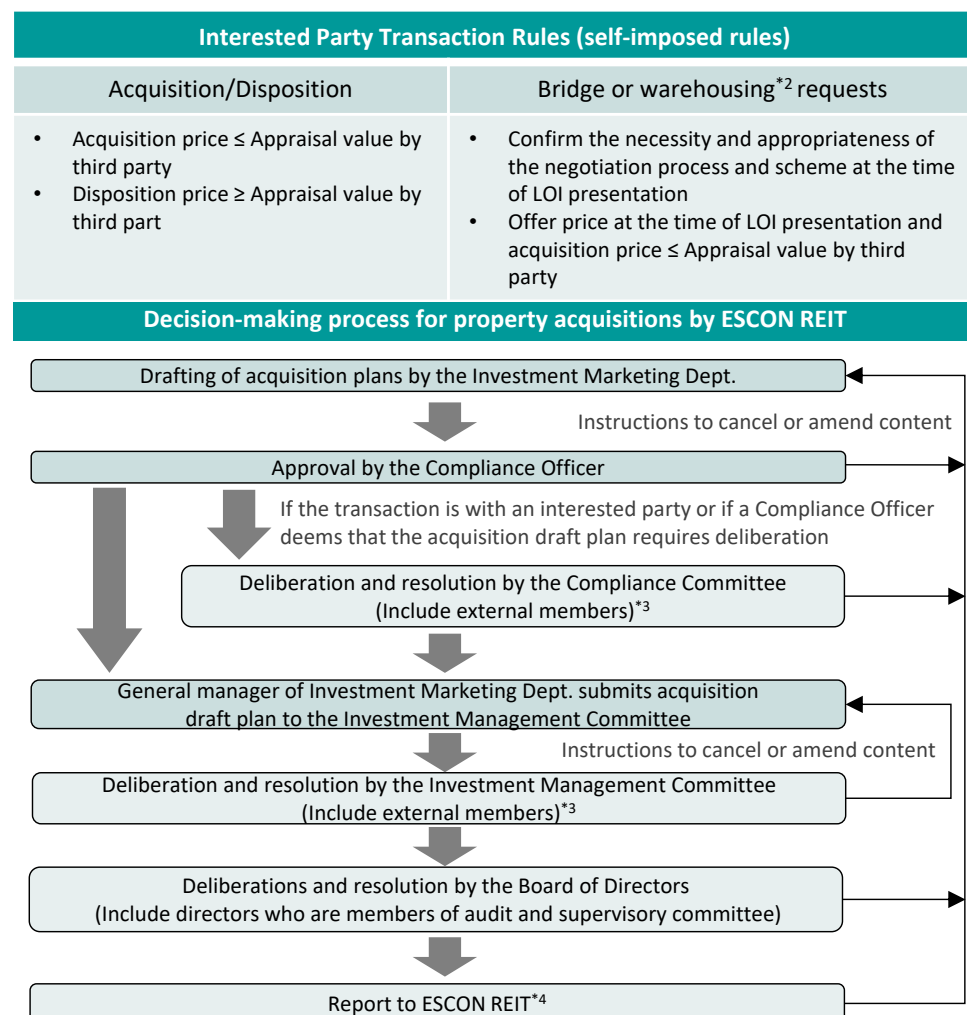
- Establishment of in-house rules for work from home, shortened work hours, and staggered work schedules
- Full system of childcare/nursing care leave, reduced working hours
- Percentage of female executives and employees : 32% (10 members, as of July 31, 2023)
- Conducting employee satisfaction surveys
- Conducting stress checks
- The introduction of health consultations by industrial physicians
- Holding dementia supporter courses

## Governance

### Further strengthening of Governance of the Asset Manager

#### Measures against conflict of interest

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



#### Transition to a company with Audit and Supervisory Committee

To strengthen the auditing and supervisory functions of the Board of Directors, the Asset Manager transitioned from a system with one Corporate Auditor to an Audit and Supervisory Committee system with an audit and supervisory committee (three directors who are members of the audit and supervisory committee, including two outside directors) as of June 28, 2022.

### Further strengthening of governance of ESCON REIT

#### Executive Director and Supervisory Directors of ESCON REIT

ESCON REIT plans to make a resolution at the General Meeting of Unitholders scheduled to be held on October 27, 2023 to make executive director outsider with no relationship of special interest with ESCON REIT and ESCON JAPAN Group in order to strengthen management of conflict of interest.

This means the Board of Directors of ESCON REIT will be composed of one executive director and two supervisory directors not affiliated with the ESCON JAPAN Group.

The new executive director and supervisory directors are as follows. For details on director backgrounds and other information, see the ESCON REIT's press release dated September 14, 2023, entitled "Notice Concerning Partial Amendments of Articles of Incorporation and Election of Director."

Title	Name
Executive Director	Tadashi Ebihara (Scheduled to assume office on October 27, 2023)
Supervisory Director	Satoshi Ugajin (Assumed in August 2016)
Supervisory Director	Rin Moriguchi (Assumed in October 2021)

### Disclose information to stakeholders

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

\*1 Interested parties are those defined in the Asset Manager's Interested Party Transaction Rules

\*2 Those in which a third parties other than the interested parties are the subject are called "bridges" and those in which the interested parties are the subject are called "warehousing"

\*3 In the case of a transaction with an interested party, directors who are members of Audit and Supervisory Committee must attend the meeting

\*4 If the acquisition draft plan constitutes a transaction with an interested party under the Investment Trust Law, prior approval from ESCON REIT's Board of Directors should be obtained

## Acquisition of certifications






### ● GRESB\*1 Real Estate Assessment



In the 2022 GRESB Real Estate Assessment, ESCON REIT received a “2 Stars” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. It also won a “Green Star” designation by achieving high performance both in “Management Component” that evaluates policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of properties owned.

### ● DBJ Green Building\*2 Certifications

ESCON REIT has obtained DBJ Green Building Certifications for a total of five properties. For the two tonarie properties (Toga・Mikita & Yamatotakada), ESCON REIT has obtained in July 2023 (Initial certification was obtained in July 2020) for the second time.

Certified properties	Certification rank	Certified date
tonarie Toga・Mikita	2023 	July 27, 2023
tonarie Yamatotakada	2023 	July 27, 2023
tonarie Minami-senri	2020 	February 19, 2021
tonarie Seiwadai	2020 	February 19, 2021
Asumigaoka Brand New Mall	2021 	July 9, 2021



## Future initiatives

### Environment

- ESCON REIT will work to reduce the environmental impact with utilizing the facilities and leasehold land managed by it
- ESCON REIT will promote information disclosure to stakeholders

### Social

- The lifestyle-focused assets that are ESCON REIT's main investment targets, serve not only as the centers of local communities, but also as infrastructure in the event of natural disasters. ESCON REIT is proud of its role and is considering further initiatives that will contribute to society

### Governance

- To maintain and improve the governance structure of the Asset Manager

### Certifications

- For certifications that have already been obtained, ESCON REIT will promote ESG initiatives and information disclosure in order to improve the evaluation rank.
- ESCON REIT will consider promoting further ESG measures, such as disclosing climate change risk analysis based on the TCFD and setting medium- and long-term targets for GHG emissions reduction

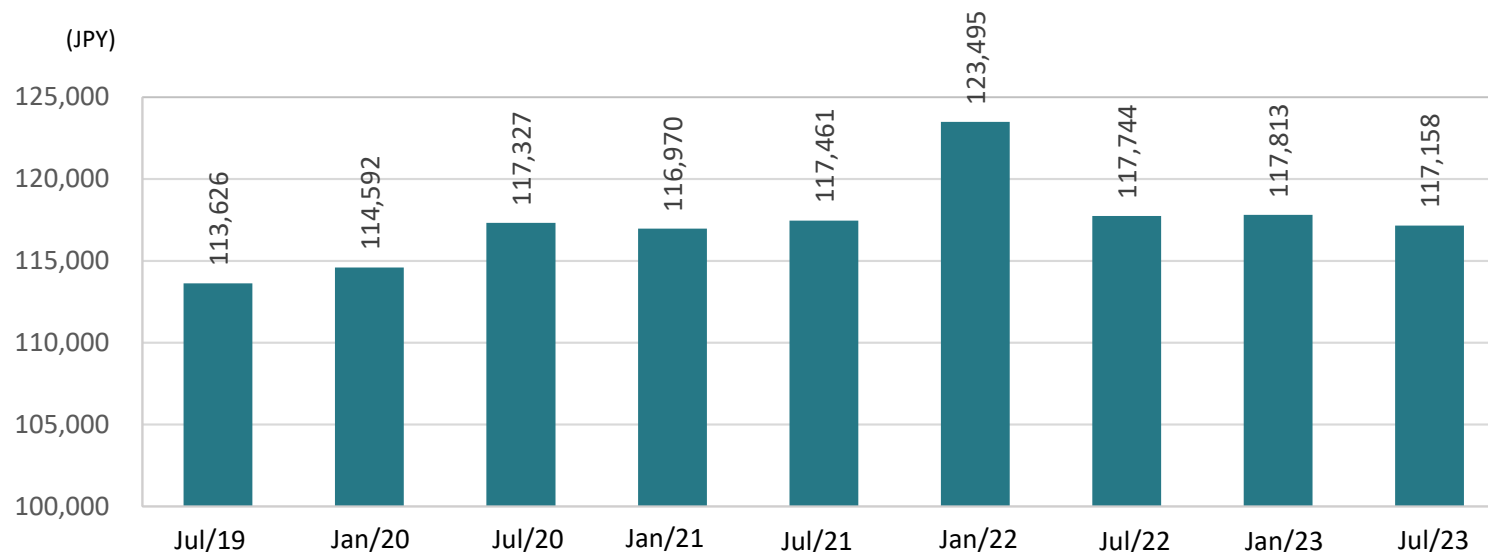
\*1 GRESB is an annual benchmarking assessment to measure ESG (Environment, Social and Governance) integration of real estate companies and funds, as well as the name of organization which runs the assessment. It was founded in 2009 by a group of major European pension funds who played leading roles in launching Principles for Responsible Investment (PRI).

\*2 DBJ Green Building is a certification system that was newly established in April 2011 by Development Bank of Japan Inc. (DBJ) as an initiative to support its customers' environmentally and socially conscious management of their real estate (“Green Building”).

# Appendix

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## Trends in Net Asset Value\* per unit



\* (Net book asset value + Unrealized profits [Appraisal value - Book value of real estate] - Distribution)/Total number of investment units issued and outstanding at each time

## Trends in portfolio occupancy rate\*

5th FP	6th FP	7th FP	8th FP	9th FP	10th FP	11th FP	12th FP	13th FP
from Feb. 1, 2019 to Jul. 31, 2019	from Aug. 1, 2019 to Jan. 31, 2020	from Feb. 1, 2020 to Jul. 31, 2020	from Aug. 1, 2020 to Jan. 31, 2021	from Feb. 1, 2021 to Jul. 31, 2021	from Aug. 1, 2021 to Jan. 31, 2022	from Feb. 1, 2022 to Jul. 31, 2022	from Aug. 1, 2022 to Jan. 31, 2023	from Feb. 1, 2023 to Jul. 31, 2023
99.7%	99.9%	99.8%	99.8%	99.5%	99.7%	99.9%	100%	99.9%

\* The occupancy rate is calculated by the calculation formula below based on data as of July 31, 2023 and rounded off to the nearest first decimal place.

Occupancy rate: Leased area/Rentable area\*100

*Yoshizuya Y Store Nishiهارu* consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased area in the table above includes the leased area on the third floor, which was vacant as of July 31, 2023 .

However, taking into account the fact that the floor is vacant, the overall occupancy rate would be 98.8%.



## Balance sheets

(JPY thousand)

	12th FP (Jan/23)	13th FP (Jul/23)
<b>Assets</b>		
Current assets		
Cash and deposits	2,852,651	2,318,451
Cash and deposits in trust	3,506,168	3,354,221
Operating accounts receivable	55,606	100,249
Prepaid expenses	64,974	82,599
Total current assets	6,479,401	5,855,522
Non-current assets		
Property, plant and equipment		
Buildings	7,063	7,063
Accumulated depreciation	(646)	(1,011)
Buildings, net	6,417	6,052
Buildings in trust	12,661,970	12,759,582
Accumulated depreciation	(1,058,360)	(1,233,647)
Buildings in trust, net	11,603,609	11,525,935
Structures in trust	146,110	146,945
Accumulated depreciation	(31,507)	(35,087)
Structures, net	114,603	111,858
Tools, furniture and fixtures in trust	42,155	44,922
Accumulated depreciation	(13,430)	(17,485)
Tools, furniture and fixtures in trust, net	28,725	27,436
Land in trust	57,914,000	57,914,000
Total property, plant and equipment	69,667,355	69,585,282
Intangible assets		
Trademarks	556	502
Other	1,799	982
Total intangible assets	2,355	1,484
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	141,311	143,059
Deferred tax assets	28	2
Total investments and other assets	151,339	153,061
Total non-current assets	69,821,050	69,739,829
Total assets	76,300,452	75,595,352

	12th FP (Jan/23)	13th FP (Jul/23)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	139,448	199,417
Current portion of long-term borrowings	4,610,000	4,610,000
Accounts payable	73,461	15,698
Accrued expenses	166,257	163,112
Income tax payable	1,203	655
Accrued consumption tax	19,688	31,343
Advances received	332,029	334,062
Deposits received	267	2,592
Total current liabilities	5,342,357	5,356,882
Non-current liabilities		
Long-term borrowings	28,481,000	28,481,000
Tenant lease and guarantee deposits in trusts	2,510,420	2,510,386
Total non-current liabilities	30,991,420	30,991,386
Total liabilities	36,333,778	36,348,269
Net assets		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,859,465	1,139,874
Total surplus	1,859,465	1,139,874
Total unitholders' equity	39,966,674	39,247,083
Total net assets	39,966,674	39,247,083
Total liabilities and net assets	76,300,452	75,595,352

## Statements of income and retained earnings

(JPY thousand)

	12th FP (Jan/23)	13th FP (Jul/23)
Operating revenue		
Leasing business revenue	2,203,845	2,193,842
Other leasing business revenue	337,333	303,889
Total operating revenue	2,541,179	2,497,731
Operating expenses		
Expenses related to leasing business	969,223	1,034,941
Asset management fees	140,176	137,049
Asset custody fees	3,654	3,664
Administrative service fees	11,372	11,698
Remuneration for director (and other officers)	2,700	2,700
Taxes and public dues	11,495	9,214
Other operating expenses	40,291	42,962
Total operating expenses	1,178,915	1,242,231
Operating income	1,362,264	1,255,499
Non-operating income		
Interest income	28	27
Gain on forfeiture of unclaimed dividends	1,171	719
Total non-operating income	1,199	746
Non-operating expenses		
Interest expenses	82,003	80,653
Financing fees	85,494	33,686
Other	1,323	1,370
Total non-operating expenses	168,820	115,709
Ordinary income	1,194,644	1,140,536
Extraordinary income		
Compensation for damages received	666,000	-
Total Extraordinary income	666,000	-
Income before income taxes	1,860,644	1,140,536
Income taxes-current	1,207	659
Income taxes-deferred	(18)	26
Total income taxes	1,189	686
Net income	1,859,454	1,139,850
Retained earnings bought forward	10	24
Unappropriated retained earnings (undisposed loss)	1,859,465	1,139,874

## Repair expenses, capex and depreciation

### Actual

(JPY thousand)

	12th FP (Jan/23)	13th FP (Jul/23)
Repair expenses	35,425	54,238
Capex	104,647	101,213
Main items	<i>tonarie Seiwadai</i> Air conditioning renewal construction 10,780	<i>tonarie Minami-senri</i> Escalator maintenance construction 42,352  <i>tonarie Seiwadai</i> Air conditioning renewal construction 15,375
Depreciation	179,839	183,285

### Forecast

(JPY thousand)

	12th FP (Jan/23)	13th FP (Jul/23)
Repair expenses	62,075	79,539
Capex	98,520	83,926
Main items	<i>tonarie Minami-senri</i> Escalator maintenance construction 18,343  Electricity meter repair construction 12,900	<i>Asumigaoka Brand-New Mall</i> High-voltage cable renewal construction 15,223  <i>tonarie Seiwadai</i> Air conditioning and ventilation equipment renewal construction 15,365
Depreciation	188,225	192,868

# Portfolio Map

(as of July 31, 2023)

#	Property name	Area	Location	Asset type	tenants	Occu- pancy Rate (%)
1	YAMADA DENKI Tecc Land Sapporo Shiroishi	Other area	Sapporo-shi, Hokkaido	Leasehold land	1	100.0
2	Asumigaoka Brand-New Mall	Tokyo metropolitan	Chiba-shi, Chiba	Land and Building	30	99.8
				Leasehold land	2	100.0
3	Nishi-shiroi Ekimae Plaza	Tokyo metropolitan	Shiroi-shi, Chiba	Land and Building	4	100.0
4	K's Denki Oyumino	Tokyo metropolitan	Chiba-shi, Chiba	Leasehold land	1	100.0
5	Nitori Tsuchiura	Tokyo metropolitan	Tsuchiura-shi, Ibaraki	Leasehold land	1	100.0
6	Nitori Imaichi	Tokyo metropolitan	Nikko-shi, Tochigi	Leasehold land	1	100.0
7	Yoshizuya Y Store Nishiharu	Chukyo	Kitanagoya-shi, Aichi	Land and Building	54	99.4
8	MaxValu Kikyogaoka-higashi	Chukyo	Nabari-shi, Mie	Leasehold land	1	100.0
9	tonarie Minami-senri	Kinki	Suita-shi, Osaka	Land and Building	45	98.4
10	tonarie Seiwadai	Kinki	Kawanishi-shi, Hyogo	Land and Building	32	100.0
11	tonarie Yamatotakada (ownership 50%)	Kinki	Yamatotakada-shi, Nara	Land and Building	66	100.0
12	tonarie Toga・Mikita	Kinki	Sakai-shi, Osaka	Land and Building	31	100.0
13	LAMU Kitatsumori	Kinki	Osaka-shi, Osaka	Leasehold land	1	100.0
14	K's Denki Nishikobe	Kinki	Kobe-shi, Hyogo	Leasehold land	1	100.0
15	Sanyo Marunaka Mitani	Kinki	Kobe-shi, Hyogo	Leasehold land	1	100.0
16	Tsutaya Sakai-minami	Kinki	Sakai-shi, Osaka	Leasehold land	1	100.0
17	LIFE Daisen	Kinki	Sakai-shi, Osaka	Leasehold land	1	100.0
18	TRIAL Omihachiman	Kinki	Omihachiman-shi, Shiga	Leasehold land	1	100.0
19	Kusuri no Aoki Ikaruga	Kinki	Ikoma-gun, Nara	Leasehold land	2	100.0
20	DRUG Yutaka Mukokamiueno	Kinki	Muko-shi, Kyoto	Leasehold land	1	100.0
21	WELCIA Amagasaki Mukomotomachi	Kinki	Amagasaki-shi, Hyogo	Leasehold land	1	100.0
22	Cocokara Fine Neyagawakoen	Kinki	Neyagawa-shi, Osaka	Leasehold land	1	100.0
23	ENEOS Ikawadani SS	Kinki	Kobe-shi, Hyogo	Leasehold land	1	100.0
24	GEO Hikone Takamiya	Kinki	Hikone-shi, Shiga	Leasehold land	1	100.0
25	SUROY MALL Nagamine	Other area	Kumamoto-shi, Kumamoto	Land and Building	24	100.0
26	Fukuoka Kasuga Project	Fukuoka	Kasuga-shi, Fukuoka	Leasehold land	11	100.0
27	Fuji Grand Natalie	Other area	Hatsukaichi-shi, Hiroshima	Land and Building	1	100.0
28	K's Denki Kurashiki	Other area	Kurashiki-shi, Okayama	Lease hold land	1	100.0
Total					319	99.9

\* Yoshizuya Y Store Nishiharu consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased area in the table above includes the leased area on the third floor, which was vacant as of July 31, 2023 . However, taking into account the fact that the floor is vacant, the overall occupancy rate would be 98.8%.

1. YAMADA DENKI Tecc Land Sapporo Shiroishi



2. Asumigaoka Brand-New Mall



3. Nishi-shiroi Ekimae Plaza



4. K's Denki Oyumino



5. Nitori Tsuchiura



6. Nitori Imaichi



7. Yoshizuya Y Store Nishiharu



8. MaxValu Kikyogaoka-higashi



9. tonarie Minami-senri



10. tonarie Seiwadai



11. tonarie Yamatotakada



12. tonarie Toga・Mikita



13. LAMU Kitatsumori



14. K's Denki Nishikobe



# Land and Building  
# Leasehold land

25. SUROY MALL Nagamine



26. Fukuoka Kasuga Project



27. Fuji Grand Natalie



28. K's Denki Kurashiki



15. Sanyo Marunaka Mitani



16. Tsutaya Sakai-minami



17. LIFE Daisen



18. TRIAL Omihachiman



19. Kusuri no Aoki Ikaruga



20. DRUG Yutaka Mukokamiueno



21. WELCIA Amagasaki Mukomotomachi



22. Cocokara Fine Neyagawakoen



23. ENEOS Ikawadani SS



24. GEO Hikone Takamiya



# Income and Expenditure by Property

(JPY thousand)

Property name	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	Asumigaoka Brand-New Mall	Nishi-shiroi Ekimae Plaza	K's Denki Oyumino (Leasehold land)	Nitori Tsuchiura (Leasehold land)	Nitori Imaichi (Leasehold land)	Yoshizuya Y Store Nishiharu	MaxValu Kikyogaoka-higashi (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 Mitani (Leasehold land)
Operating days	184	184	184	184	184	184	184	184	184	184	184	184	184	184	184
Age of buildings (year)	—	22.9	23.3	-	—	—	28.9	—	18.8	15.8	4.8	4.3	-	-	—
Operating revenues	Not disclosed	253,394	20,360	70,570	Not disclosed	Not disclosed	114,862	Not disclosed	334,430	228,566	176,594	261,575	38,148	62,177	Not disclosed
Leasing business revenue		187,375	16,953	70,570			112,715		273,912	152,100	146,549	222,541	38,148	62,176	
Other		66,018	3,407	—			2,147		60,518	76,466	30,044	39,034	-	1	
Expenses related to leasing business		144,444	7,556	7,288			51,544		147,677	158,629	70,008	93,105	6,987	5,544	
Taxes and public dues		23,995	1,350	6,738			16,313		25,825	12,676	12,470	14,772	6,237	4,794	
Management fees		33,550	2,110	300			22,198		47,406	26,421	24,112	33,547	499	499	
Insurance premium		1,790	90	-			2,694		796	824	505	979	-	-	
Repair expenses		6,842	507	-			8,073		13,990	13,497	632	4,857	-	-	
Other		78,265	3,497	250			2,264		59,658	105,209	32,287	38,948	250	250	
Leasing NOI	28,055	108,950	12,803	63,281	26,679	10,799	63,318	14,247	186,752	69,937	106,585	168,470	31,160	56,633	30,857
Depreciation	-	20,055	949	-	-	-	32,476	-	17,083	26,413	21,909	32,856	-	-	-
Operating income	28,055	88,895	11,854	63,281	26,679	10,799	30,841	14,247	169,668	43,523	84,676	135,613	31,160	56,633	30,857
Book value at end of fiscal period	1,310,888	3,175,154	455,856	2,737,549	1,007,414	368,224	4,553,503	483,542	7,277,310	3,183,326	4,063,467	6,865,745	1,284,444	2,154,463	1,443,034
NOI yield before depreciation*	4.3%	6.9%	5.7%	4.7%	5.3%	5.9%	2.8%	5.9%	5.2%	4.4%	5.3%	4.9%	4.9%	5.3%	4.3%
NOI yield after depreciation*	4.3%	5.6%	5.2%	4.7%	5.3%	5.9%	1.4%	5.9%	4.7%	2.8%	4.2%	4.0%	4.9%	5.3%	4.3%

Property name	Tsutaya Sakai-minami (Leasehold land)	LIFE Daisen (Leasehold land)	TRIAL Omihachiman (Leasehold Land)	Kusuri no Aoki Ikaruga (Leasehold Land)	DRUG Yutaka Mukokamiueno (Leasehold Land)	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	Cocokara Fine Neyagawakoen (Leasehold Land)	ENEOS Ikawadani SS (Leasehold Land)	GEO Hikone Takamiya (Leasehold Land)	SUROY MALL Nagamine	Fukuoka Kasuga Project (Leasehold land)	Fuji Grand Natalie	K's Denki Kurashiki (Leasehold land)	Total/Average
Operating days	184	184	184	184	184	184	184	184	184	184	184	184	184	
Age of buildings (year)	-	-	—	—	—	—	—	—	—	16.0	-	24.2	—	17.7 (Average)
Operating revenues	21,600	72,000	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	165,763	266,315	Not disclosed	Not disclosed	2,497,731
Leasing business revenue	21,600	72,000								139,786	266,315			2,193,842
Other	-	-								25,977	-			303,889
Expenses related to leasing business	2,665	4,969								64,103	40,014			851,655
Taxes and public dues	2,104	4,408								14,209	36,479			217,391
Management fees	300	300								17,224	1,980			216,963
Insurance premium	-	-								976	-			10,457
Repair expenses	-	-								5,838	-			54,238
Other	261	261								25,854	1,555			352,605
Leasing NOI	18,934	67,030	21,952	18,444	10,125	11,708	14,821	12,147	6,913	101,659	226,301	104,274	53,228	1,646,076
Depreciation	-	-	-	-	-	-	-	-	-	11,478	-	20,063	-	183,285
Operating income	18,934	67,030	21,952	18,444	10,125	11,708	14,821	12,147	6,913	90,181	226,301	84,211	53,228	1,462,790
Book value at end of fiscal period	955,939	2,758,189	1,019,016	718,269	464,956	571,393	709,317	535,849	304,134	4,602,886	10,537,198	3,908,098	2,136,105	69,585,282
NOI yield before depreciation*	4.0%	4.9%	4.3%	5.2%	4.4%	4.1%	4.2%	4.6%	4.6%	4.5%	4.3%	5.4%	5.0%	4.8% (Average)
NOI yield after depreciation*	4.0%	4.9%	4.3%	5.2%	4.4%	4.1%	4.2%	4.6%	4.6%	4.0%	4.3%	4.3%	5.0%	4.2% (Average)

\* NOI yields of before and after depreciation represent ratios against the book value at the end of the fiscal period.

# Appraisal Value

(as of January 31, 2023/JPY thousand)

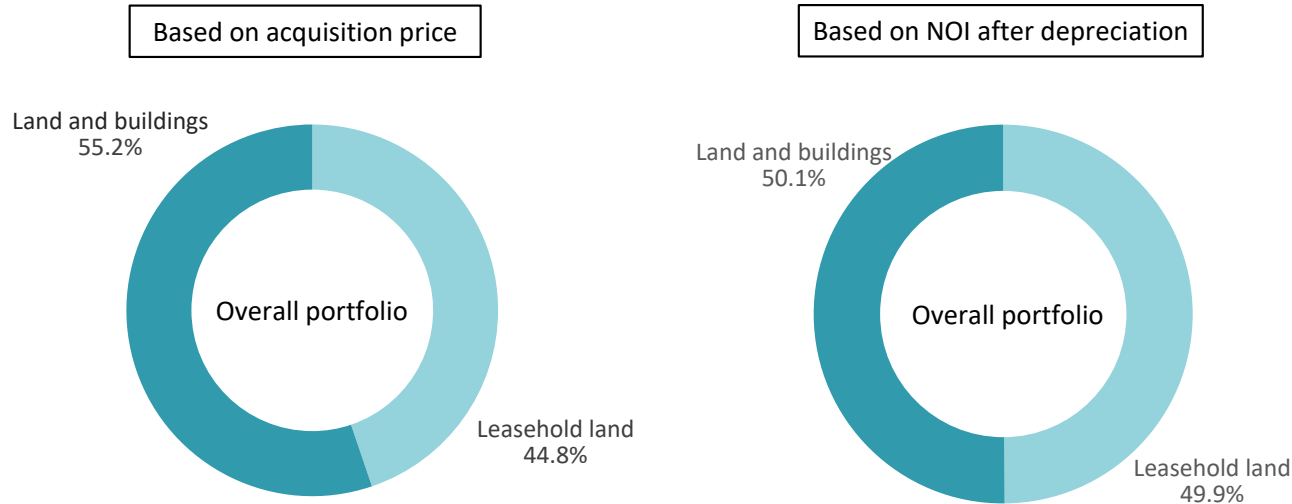
Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation *	NOI yield before depreciation *	Discount Rate
		Jul. 31, 2022 (A)	Jan. 31, 2023 (B)				
YAMADA DENKI Tecc Land Sapporo Shiroishi	1,300	1,330	1,310	- 20	4.4%	4.4%	4.4%
Asumigaoka Brand-New Mall	3,200	3,310	3,240	- 70	6.4%	5.2%	5.0%
Asumigaoka Sushiro (Leasehold land)		150	150	-			4.4%
Asumigaoka McDonald's (Leasehold land)		148	149	1			until 3 FY: 4.2% from 4 FY: 4.3%
Nishi-shiroi Ekimae Plaza	451	468	470	2	5.8%	5.3%	5.1%
K's Denki Oyumino (Leasehold land)	2,710	2,880	2,890	10	4.7%	4.7%	4.7%
Nitori Tsuchiura (Leasehold land)	999	1,090	1,100	10	5.4%	5.4%	5.3%
Nitori Imaichi (Leasehold land)	363	409	409	-	6.0%	6.0%	5.6%
Yoshizuya Y Store Nishiharu	4,610	2,330	2,270	- 60	2.6%	1.2%	4.8%
MaxValu Kikyogaoka-higashi (Leasehold land)	477	541	542	1	6.1%	6.1%	5.6%
tonarie Minami-senri	7,200	8,060	8,080	20	5.4%	4.9%	4.5%
tonarie Seiwadaei	3,290	3,390	3,350	- 40	4.9%	3.3%	5.2%
tonarie Yamatotakada (ownership 50%)	4,150	4,035	4,035	-	4.8%	3.7%	4.7%
tonarie Toga・Mikita	6,986	7,060	6,970	- 90	4.8%	3.8%	4.4%
LAMU Kitatsumori (Leasehold land)	1,270	1,480	1,480	-	4.9%	4.9%	4.3%
K's Denki Nishikobe (Leasehold land)	2,133	2,470	2,470	-	5.3%	5.3%	4.6%
Sanyo Marunaka Mitani (Leasehold land)	1,430	1,540	1,540	-	4.4%	4.4%	4.6%
Tsutaya Sakai-minami (Leasehold land)	946	1,030	1,040	10	4.0%	4.0%	4.5%
LIFE Daisen (Leasehold land)	2,733	3,060	3,060	-	4.9%	4.9%	4.3%
TRIAL Omihachiman (Leasehold land)	1,010	1,100	1,100	-	4.4%	4.4%	4.6%
Kusuri no Aoki Ikaruga (Leasehold land)	711	730	730	0	5.3%	5.3%	5.2%

Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation *	NOI yield before depreciation *	Discount Rate
		Jul. 31, 2022 (A)	Jan. 31, 2023 (B)				
DRUG Yutaka Mukokamiueno (Leasehold land)	460	477	477	-	4.5%	4.5%	4.4%
WELCIA Amagasaki Mukomotomachi (Leasehold land)	565	577	577	-	4.2%	4.2%	until 7FY: 4.0% from 8FY: 4.1%
Cocokara Fine Neyagawakoen (Leasehold land)	702	717	717	-	4.3%	4.3%	until 4FY: 4.1% from 5FY: 4.2%
ENEOS Ikawadani SS (Leasehold land)	530	531	531	-	4.7%	4.7%	until 6FY: 4.2% from 7FY: 4.3%
GEO Hikone Takamiya (Leasehold land)	300	306	305	- 1	4.8%	4.8%	4.3%
SUROY MALL Nagamine	4,600	4,620	4,560	- 60	5.5%	5.0%	5.0%
MrMAX Kasuga (Leasehold land)	3,387	3,940	3,930	- 10	4.3%	4.3%	4.5%
UNIQLO Kasuga (Leasehold land)	595	672	670	- 2	4.0%	4.0%	4.6%
Avail.Shimamura Kasuga (Leasehold land)	863	1,110	1,100	- 10	4.7%	4.7%	4.6%
au-Softbank Kasuga (Leasehold land)	143	160	160	-	4.6%	4.6%	4.6%
Kura Sushi Kasuga (Leasehold land)	261	304	302	- 2	4.7%	4.7%	4.6%
docomo Shop Kasuga (Leasehold land)	160	182	181	- 1	4.6%	4.6%	4.6%
Konpira Maru Kasuga (Leasehold land)	236	265	264	- 1	4.7%	4.7%	4.6%
One-Karubi Kasuga (Leasehold land)	236	264	265	1	4.7%	4.7%	4.6%
Suke-san Kasuga (Leasehold land)	401	420	419	- 1	4.4%	4.4%	4.6%
NAFCO Kasuga (Leasehold land)	2,631	3,440	3,440	-	4.4%	4.4%	4.5%
K's Denki Kasuga (Leasehold land)	1,487	1,860	1,860	-	4.3%	4.3%	4.5%
Fuji Grand Natalie	3,950	4,120	4,120	-	5.2%	4.2%	4.9%
K's Denki Kurashiki (Leasehold land)	2,121	2,450	2,450	-	5.0%	5.0%	4.6%
TOTAL	69,604	73,026	72,713	-312	4.8%	4.3%	-

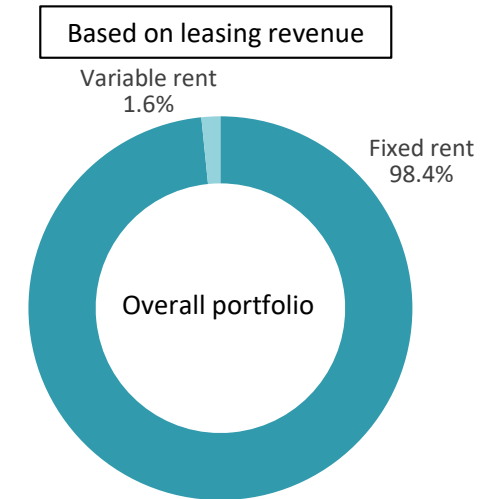
\* Appraisal NOI yields before and after depreciation represent ratios against the acquisition price.



## “Land and buildings” and “Leasehold land”

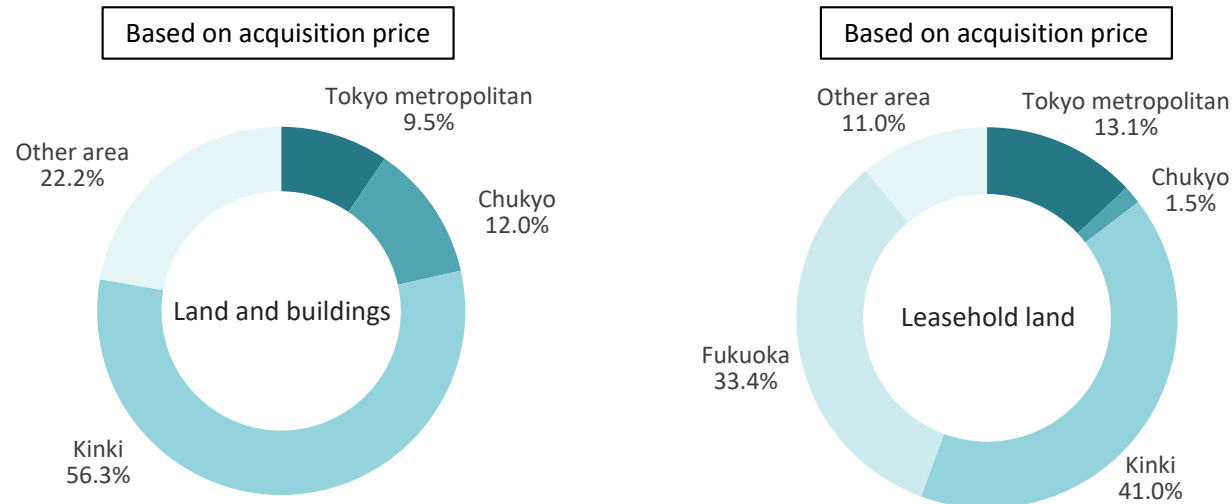


## Fixed and variable rents\*

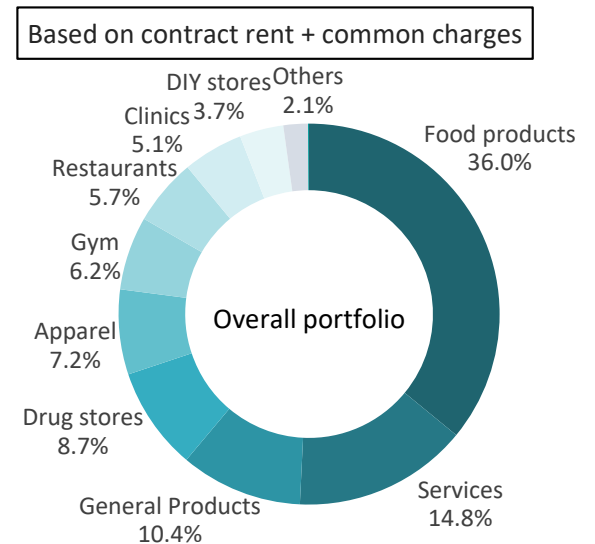


\* Includes leasehold lands  
Variable rents include commission and event rents

## Regions\*



## Tenants



## New contracts and terminations\*1

Fiscal Period	New contracts		Contract terminations or move-out	
	Total	Tenant category	Total	Tenant category
8th FP (Jan. 2021)	5	Restaurants 2 Services 2 Food products 1	5	Restaurants 4 Services 1
9th (Jul. 2021)	2	Food products 1 General Products 1	3	Food products 1 General Products 1 Apparel 1
10th (Jan. 2022)	5	Restaurants 1 Services 1 General Products 3	3	Restaurants 1 General Products 2
11th (Jul. 2022)	3	Services 1 Food products 1 General Products 1	3	Services 1 Food products 1 Apparel 1
12th (Jan. 2023)	8	Restaurants 2 Services 5 General Products 1	5	Restaurants 3 Services 1 General Products 1
13th (Jul. 2023)	7	Restaurants 4 Services 2 General Products 1	10	Restaurants 2 Services 4 Food products 3 General Products 1

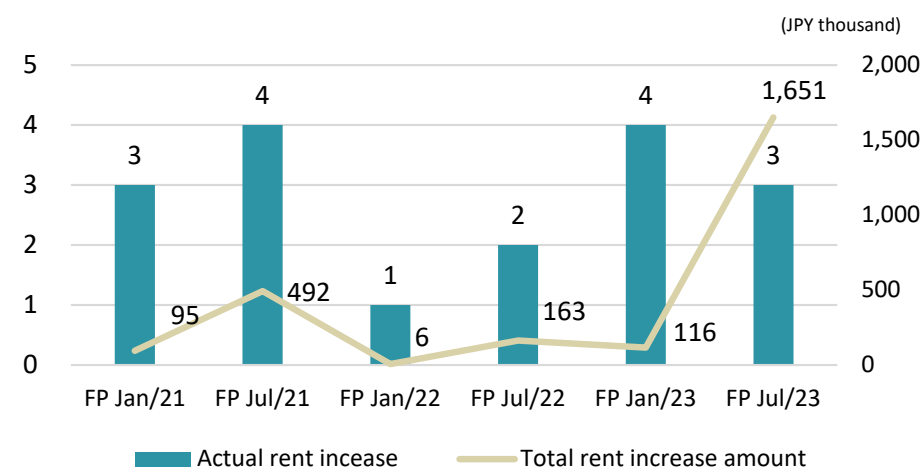
\*1 Number of terminations or move-out indicates the number of tenants for which the contract with the relevant tenant expires before the end of the fiscal period, with the next day (the following fiscal period) as the cancellation date. In the case of the same tenant's change of business type involving a change of plot, the number of tenants is included in termination and new tenant attraction, respectively.

Excluding rental housing of Yoshizuya Y Store Nishiharu

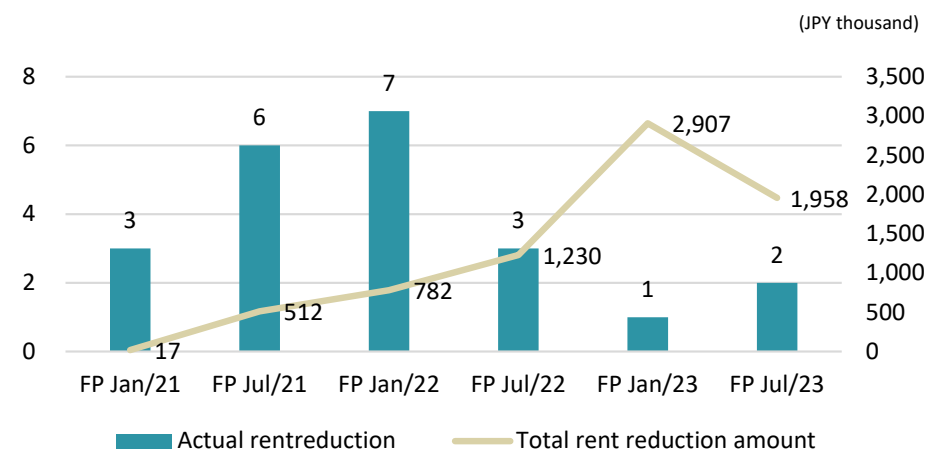
\*2 For existing tenants

## Rent increases and decreases\*2

**Rent increases** (number of units during the period, total amount during the period)



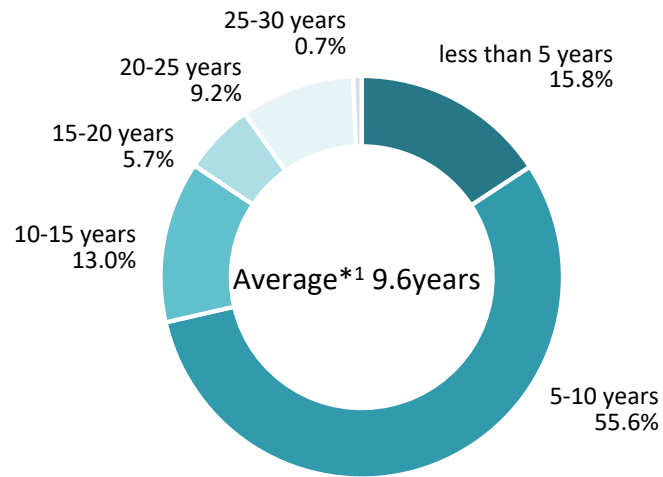
**Rent reduction** (number of units during the period, total amount during the period)



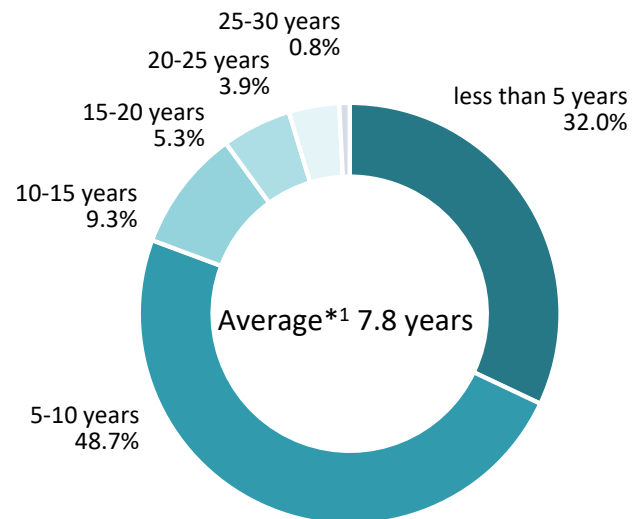
# Remaining Lease Term based on Portfolio

as of January 31, 2023

Based on leasable area

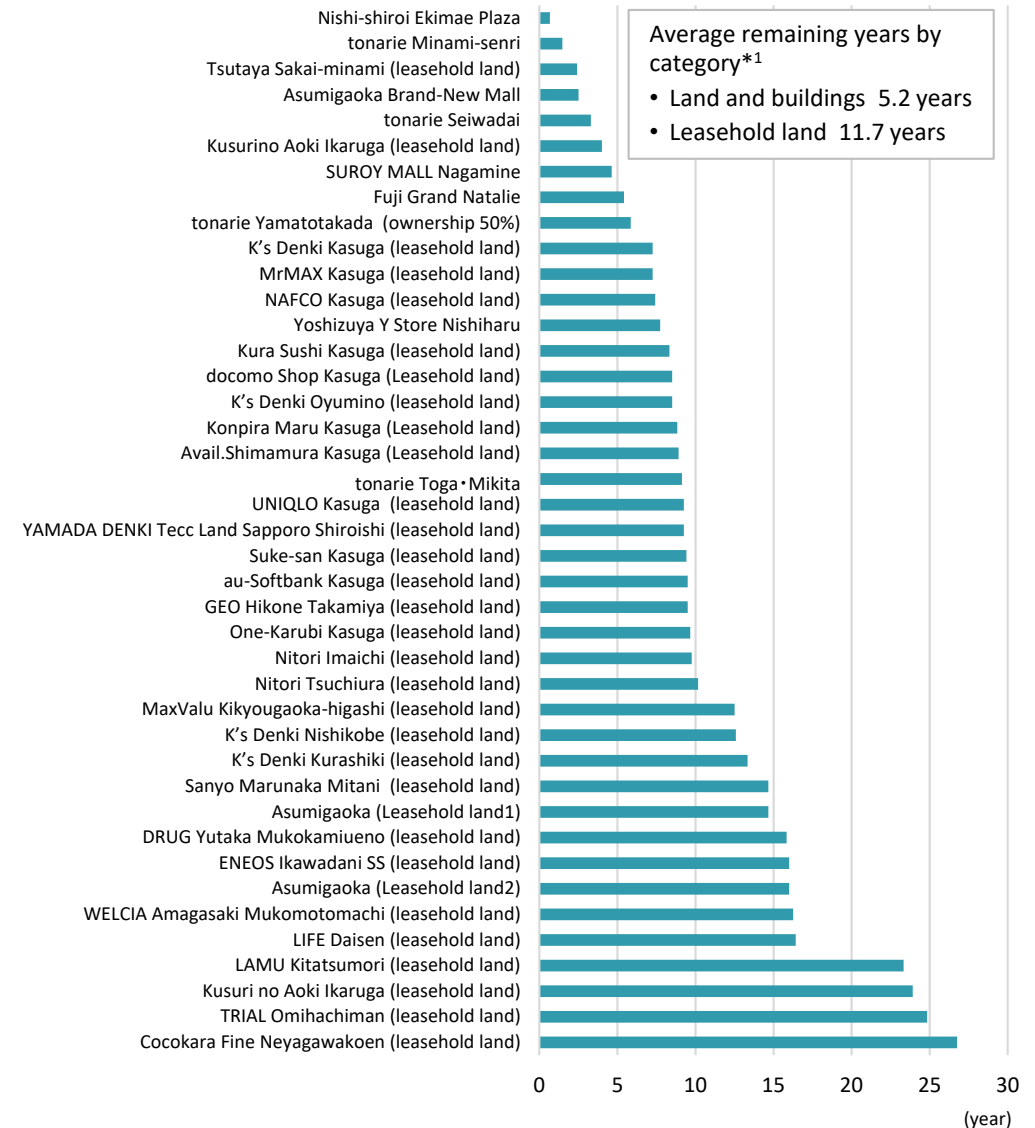


Based on contract rent + common charges



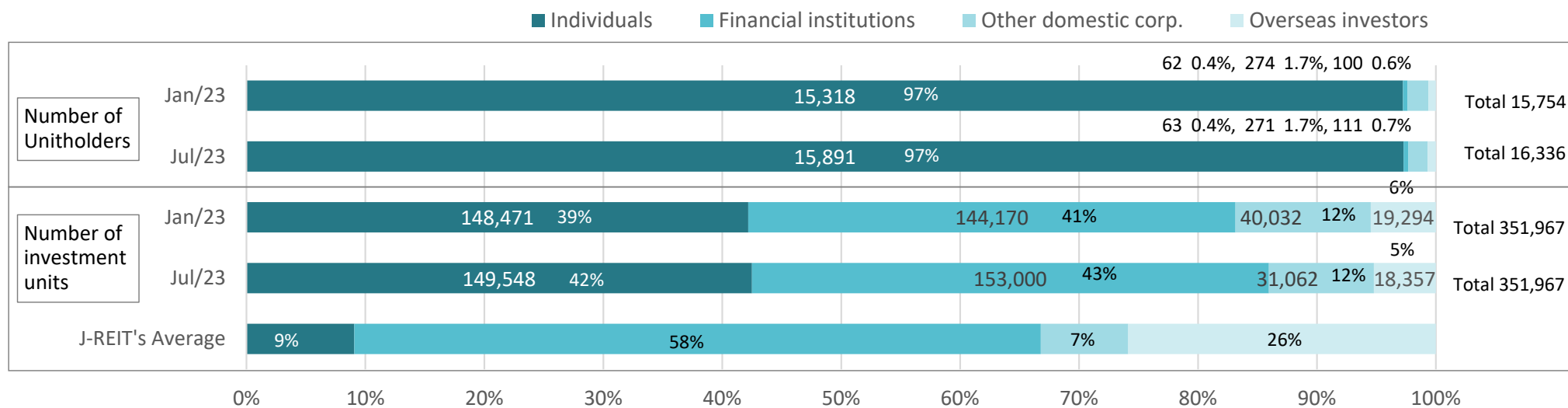
\*1 Weighted average

Based on leasable area by property





## Unitholders by type (as of July 31, 2023)

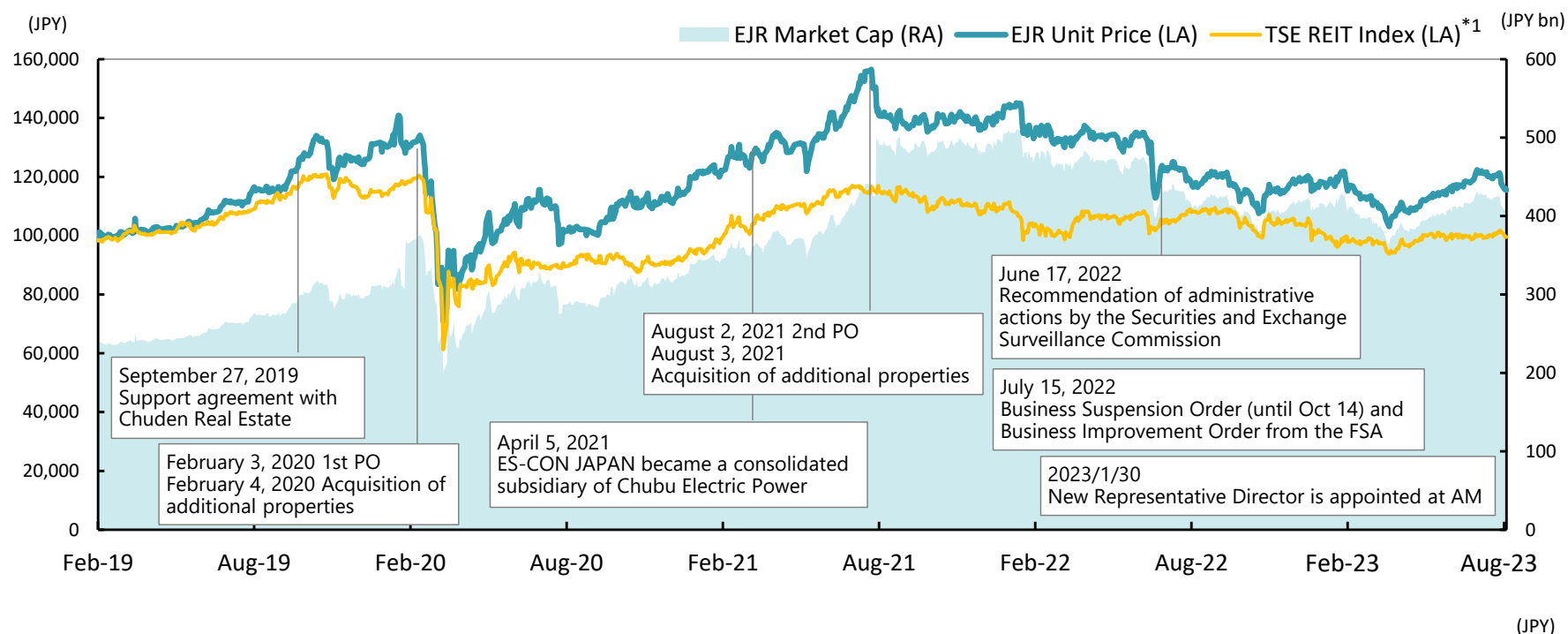


\*J-REIT's Average - Refer to the Japan Exchange Group: REIT Investor Survey (Jun 13, 2023)

## Top ten unitholders

	Unitholders	Number of units held	Ownership ratio
1	The Master Trust Bank of Japan, Ltd. (Trust account)	38,006	10.8%
2	Custody Bank of Japan, Ltd. (Trust Account)	30,128	8.6%
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)	12,421	3.5%
6	Daido Shinyo Kumiai	6,415	1.8%
7	Kinkisangyo Shinkumi Bank	6,226	1.8%
8	Osaka Shoko Shinkin Bank	5,487	1.6%
9	THE SAIKYO BANK, LTD.	4,950	1.4%
10	Anonymous Individual	3,000	0.9%
<b>Total</b>		<b>144,467</b>	<b>41.0%</b>

## Unit price trend



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

## Forecast dividend yield

Forecast dividend yield\*2    EJR **5.35%**    J-REITs Average 4.13%

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

\*2 The forecast dividend yield is calculated by dividing the sum total of the distributions forecasts for 14<sup>th</sup> FP and 15<sup>th</sup> FP by the investment unit (closing price) as of July 31, 2023. The average forecast dividend yield of all J-REITs is the market capitalization-weighted average forecast annualized dividend yield disclosed in the REIT monthly Report (for August 2023) of the Japan Exchange Group.

(as of January 31, 2023)

## Overview of ESCON REIT

Trade name	ESCON JAPAN REIT Investment Corporation
Listing date	February 13, 2019 (Fiscal period ending January, July)
Sponsor	ES-CON JAPAN Ltd. (Consolidated Subsidiaries of Chubu Electric Power Co., Inc.)
Supporters	Chubu Electric Power Co., Inc. Chuden Real Estate Co., Inc.
Main Investment Targets* <sup>1</sup>	<ul style="list-style-type: none"> <li>Lifestyle-Focused Commercial facilities</li> <li>Leasehold land</li> </ul>
Credit Rating	R&I (Rating and Investment Information, Inc.) A- Stable
Asset Management Company	ES-CON ASSET MANAGEMENT Ltd.
Total number of investment units issued	351,967

## Overview of portfolio

Assets Under Management (Acquisition price basis)	38 properties , JPY 69.6 billion
Target Investment Areas (Acquisition price basis)	Tokyo metropolitan area 11.1%, Kinki region 49.4% , Chukyo region 7.3%, Fukuoka region 4.9%, Other area 17.2%
Occupancy Rate* <sup>2</sup>	99.9 %

\*1 Regional structure of the current investment policy. The investment targets are scheduled to be changed in the new investment policy. (See page 17 of this document)

\*2 *Yoshizuya Y Store Nishiharu* consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON Japan, and the leased area in the table above includes the leased area on the third floor, which was vacant as of July 31, 2023 .  
However, taking into account the fact that the floor is vacant, the overall occupancy rate would be 98.8%.

## IR contacts

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

## Asset management company

Company name	ES-CON ASSET MANAGEMENT Ltd.
Representative	Wataru Orii President & Representative Director
Founded	July 2014
Capital Funds	JPY 100 million
Shareholder	ES-CON JAPAN Ltd. 100%
Types of businesses	Asset Management Business
Licenses	<ul style="list-style-type: none"> <li>Real Estate Transactions: Tokyo Metropolitan Governor (2) No. 97008</li> <li>Financial Instruments Business: Kanto Local Finance Bureau Registration No. 2825</li> <li>Discretionary Transaction Agent License: Minister of Land, Infrastructure, Transport and Tourism, Certification No. 105</li> </ul>
Memberships	The Investment Trusts Association, Japan

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