



12th
Fiscal Period
(January/2023)

ES CON JAPAN REIT Investment Corporation Financial Results

Securities Code: 2971





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Highlights for 12th FP (Jan/2023)

- Steadily implementing business improvement measures related to administrative disposition by the Financial Services Agency (hereinafter, the “FSA”)
- Achieved diversification of borrowing period by refinancing JPY 9,860 million debt in borrowings due at the end of January 2023
- Recording of JPY 666 million in compensation for damages received from ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the “Asset Manager”) as extraordinary income

2

Earnings Results

- 12th FP (Jan/2023) DPU: JPY 5,283
(increase by JPY 58 or 1.1% from previous forecast of JPY 5,225 as of January 16, 2023)

3

Earnings Forecast

- 13th FP (Jul/2023) DPU: JPY 3,077
- 14th FP (Jan/2024) DPU: JPY 3,082

4

Growth Strategy

- Establishing the Road Map for the next three years (for the six fiscal periods from the 13th FP onward)
- Further strengthening of legal compliance and internal control systems and realization of fair and appropriate business operations to regain trust
- Achieve JPY 100 billion in assets as soon as possible by replacing the portfolio and acquiring properties
- Improving portfolio quality and expanding asset scale by expanding the pipeline and incorporating new asset types
- Steady internal growth through initiatives to improve the satisfaction levels of facility users, review of existing contracts, etc.
- Strengthening our financial base to expand asset scale

1

Status of Measures Related to Administrative Disposition from the FSA

Details of the administrative disposition and Status of Improvements Related to Business Improvement Order -1

Details of the administrative disposition

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

Details of the administrative disposition to the Asset Manager	<ul style="list-style-type: none"> • Business Suspension Order (from July 15, 2022 to October 14, 2022) • Business Improvement Order
Facts leading to the administrative disposition	<ul style="list-style-type: none"> • Improper attempts to undermine the independence of a real estate appraiser • Improper real estate appraiser selection process

Business Improvement Order (1)

To fully explain the details of this administrative disposition to the Investment Corporation (hereinafter, "ESCON REIT") 's unitholders concerning this matter and take appropriate measures.

Improvement item	As of Announcement of financial results for the 11th FP	As of Announcement of financial results for the 12th FP
Announcement as a timely disclosure	<p>Action Taken (Continual)*</p> <p>To facilitate the prompt, accurate, and fair disclosure of information key to investment decisions, ESCON REIT has issued notices relating to administrative actions as timely disclosure.</p> <ul style="list-style-type: none"> • "Notice Concerning Administrative Disposition Against the Asset Manager" • "Notice Concerning Submission of Business Improvement Report by the Asset Manager" etc. 	<p>Action Taken (Continual)</p> <p>ESCON REIT continues to issue notices relating to administrative actions as timely disclosure.</p> <ul style="list-style-type: none"> • "Notice Concerning Adoption of "Management Principles" by the Asset Manager" • "Notice Concerning Changes to the Flow of Operations of Property Acquisitions at the Asset Manager " etc.

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



Details of the administrative disposition and Status of Improvements Related to Business Improvement Order -2



Business Improvement Order (2)

In order to realize fair and appropriate business operations as an asset management company of investment corporation, 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

Improvement item	As of Announcement of financial results for the 11th FP		As of Announcement of financial results for the 12th FP	
• Adoption and announcement of the "Compliance Declaration"	Action Taken	Completed by August 2022	Action Taken	
• Publicly announcement of "Management Philosophy" externally	Ongoing		Action Taken	Completed by September 2022
• Conducting Comprehensive Training Sessions	Ongoing		Action Taken	Completed by September 2022

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

Improvement item	As of Announcement of financial results for the 11th FP		As of Announcement of financial results for the 12th FP	
• Changes in the composition of the Board of Directors	Ongoing		Action Taken	Completed by October 2022 and January 2023
• Transition to a company with Audit and Supervisory Committee	Action Taken	Completed by June 2022	Action Taken	
• Internal Audit Department has been reorganized into a subordinate organization of the Audit and Supervisory Committee	Action Taken	Completed by June 2022	Action Taken	
• Change of Members of the Investment Committee and Compliance Committee	Action Taken	Completed by June 2022	Action Taken	



Details of the administrative disposition and Status of Improvements Related to Business Improvement Order -3



(2-3) Review of Business Operation Methods

Improvement item	As of Announcement of financial results for the 11th FP		As of Announcement of financial results for the 12th FP	
• Change in management flow to require the Board of Directors' resolution when acquiring properties from interested parties	Ongoing		Action Taken	Completed by September 2022
• Audit and Supervisory Committee audits 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	Action Taken (Continual)	Completed by August 2022	Action Taken (Continual)	
• Improvements to the management of the Compliance Committee, Investment Committee, and Board of Directors	Action Taken (Continual)	Completed by September 2022	Action Taken (Continual)	

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 (hereinafter, "ES-CON JAPAN") 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 ES-CON JAPAN and gave top priority to acquiring properties at the purchase price desired by ES-CON JAPAN, thereby engaging in improper conduct. The Asset Manager also recognizes 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.

Details of the administrative disposition and Status of Improvements Related to Business Improvement Order -4

(3-2) Measures to Prevent a Recurrence

Improvement item	As of Announcement of financial results for the 11th FP	As of Announcement of financial results for the 12th FP	
• Changes to the ordering work rules of real estate appraisal services	Ongoing	Action Taken	Developed property operations manual by October 2022
• Strengthen monitoring of operations for the ordering of real estate appraisals by the Compliance Department	Ongoing	Action Taken	Developed property acquisition operations manual by September 2022
• Clarification of internal processes for verifying the appropriateness of decision-making related to the investment management business	Ongoing	Action Taken	Improved the Investment Committee regulations and Compliance Committee regulations by September 2022
• Establishment of a new interested party transaction system for real estate transactions with ES-CON JAPAN	Ongoing	Action Taken	Developed a property acquisition operations manual in October 2022, following the establishment of ES-CON Japan's Rules on Transactions With Interested Parties
• Securing Human Resources	Ongoing(Continual)	Action Taken (Continual)	Improvement of operational efficiency and appropriate allocation of personnel
• 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	Action Taken	Development and implementation of additional preventive measures with the goal of enhancing independence from ES-CON JAPAN, etc.
• Maximize the use of the Chubu Electric Power Group's joint helpline	Action Taken (Continual) The Helpline to be communicated internally in August 2022.	Action Taken (Continual)	
• Training and awareness-raising for ongoing improvement of the conflict-of-interest management system	Ongoing	Action Taken (Continual)	In-house training in April, July, and October 2022 and March 2023



Details of the administrative disposition and Status of Improvements Related to Business Improvement Order -5

Business Improvement Order (4)

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

Improvement item	As of Announcement of financial results for the 11th FP		As of Announcement of financial results for the 12th FP	
• Representative Director Satoshi Omori and Director Takatoshi Ito, who concurrently serves as Representative Director of ES-CON JAPAN resigned	Action Taken	Both retire in March 2022, and Takeharu Kagiya is appointed as a Representative Director and Hiroshi Tokunaga as a Director	Action Taken	Takeharu Kagiya retired as Representative Director in January 2023 and Wataru Orii is appointed the position*
• Minoru Nakanishi, Senior Managing Director of ES-CON JAPAN resigned from the Asset Manager's Director	Ongoing		Action Taken	Minoru Nakanishi retired in October 2022, and Masataka Shimaoka, newly dispatched from Chubu Electric Power
• Atsumu Sasaki, Senior Executive Officer and General Manager of the REIT Asset Management Department resigned from his position as an Employee Specified by a Cabinet Order (Supervisor of Investment Decision Making Operations)	Ongoing		Action Taken	Atsumu Sasaki retired in September, 2022, and Takashi Tetsuya is appointed the position

* Under former Representative Director Takeharu Kagiya, the Asset Manager maintained and improved its legal compliance and internal control systems, and has made efforts to implement fair and appropriate business operations. Once the business improvements are completed, the Asset Manager will proceed with preparations for property acquisitions. Accordingly, Wataru Orii, who has abundant experience and knowledge from the early days of the REIT industry to the present, has been appointed as the new Representative Director of the Asset Manager.

Business Improvement Order (5)

Report in writing by August 15, 2022 on the response to (1) through (4) above, and report in writing from time to time until all of these actions are completed. Action Taken (Continual)

Future Policies

In order to regain trust, ESCON REIT and the Asset Manager will continue to take action on the issues that require ongoing efforts, maintain and improve our legal compliance and internal control systems, and work to implement fair and appropriate business operations. In addition, once the business improvements are completed, ESCON REIT will prepare for property acquisitions aimed at achieving steady external growth.

2

Earnings Results

Overview of Statements of Income and Retained Earnings of 12th FP (Jan/2023) vs. Previous Period

Net income increased significantly from the previous period and DPU was JPY 5,283 (+JPY 1,679 from the previous period) due to the recording of JPY 666 million in compensation for damages received from the Asset Manager as extraordinary income

Earnings Results for the 12th FP (Jan/2023)

> Compared with the results of the previous period and the forecast for the current period

(JPY million)

	11 th FP (Jul/2022) Actual (a)	12 th FP Forecast As of January 16, 2023 (b)	12 th FP (Jan/2023) Actual (c)	vs. Previous period (c-a)	vs. Forecast (c-b)
Operating revenues	2,706	2,540	2,541	-165	0
Operating income	1,382	1,351	1,362	-19	10
Ordinary income	1,269	1,174	1,194	-74	20
Net income	1,268	1,839	1,859 *1	591	20
DPU	JPY 3,604	JPY 5,225	JPY 5,283 *1	JPY 1,679	JPY 58
Depreciation	175	179	179	4	-0
NOI after depreciation	1,587	1,568	1,571	-15	3
NOI yield after depreciation	4.6%	4.5%	4.5%	-12bp *2	1bp
Number of operating days	181 days	184 days	184 days	3 days	0 day

*1 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 distribution per unit was JPY 3,390.

*2 "bp" is an abbreviation for basis point, 1 bp=0.01%. The same applies below.

Main reasons for fluctuation in net income > vs. Previous Period

(JPY million)

● Operating revenues	Revenue from reimbursement of expenses with sponsors implemented during the 12th FP (+41.0), increase in special event income, etc. (+4.5)	+45.5
● Other income of Nishiharu	Decrease of one-time revenue (amount related to restoration expenses received from former tenants) during the 11th FP, etc.	-255.7
● Utility expenses (NET)	Increase in expenses due to higher utilities expenses (Income: +44.9/Expenses: -61.3)	-16.4
● Repair expenses	Decrease in repair expenses concentrated in the 11th FP	+205.0
● Other operating expenses, general and administrative expenses, etc.	Decrease in other rental business expenses, etc.	+1.6
● Interest and borrowing-related expenses, etc.	Refinancing costs incurred in the 12th FP, etc.	-54.9
● Compensation for damages	Receipt of compensation for damages from the Asset Manager	+666.0
Total (net income) vs. Previous Period		+591.1

Overview of Statements of Income and Retained Earnings of 12th FP (Jan/2023) vs. Forecast

Net income increased significantly from the former forecast and DPU was JPY 5,283 (+JPY 2,082 from the former forecast) due to the recording of JPY 666 million in compensation for damages received from the Asset Manager as extraordinary income.

Earnings Results for the 12th FP (Jan/2023)

> Compared with the forecast for the current period

(JPY million)

	12 th FP Former Forecast as of September 14, 2022 (a)	12 th FP Revised Forecast as of January 16, 2023 (b)	12 th FP (Jan/2023) Actual (c)	vs. Former Forecast (c-a)	vs. Revised Forecast (c-b)
Operating revenues	2,480	2,540	2,541	60	0
Operating income	1,298	1,351	1,362	64	10
Ordinary income	1,127	1,174	1,194	66	20
Net income	1,126	1,839	1,859*	732	20
DPU	JPY 3,201	JPY 5,225	JPY 5,283*	JPY 2,082	JPY 58
Depreciation	180	179	179	0	-0
NOI after depreciation	1,515	1,568	1,571	56	3
NOI yield after depreciation	4.3%	4.5%	4.5%	16bp	1bp
Number of operating days	184 days	184 days	184 days	0 day	0 day

* 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 distribution per unit was JPY 3,390.

Main reasons for fluctuation in net income > vs. Former Forecast

(JPY million)

● Operating revenues	Revenue from reimbursement of expenses with sponsors implemented during the 12th FP (+41.0), increase in revenue due to replacement of Nagamine tenants, increase in special event revenue, etc. (+18.9)	+59.9
● Utility expenses (NET)	Increase in expenses due to higher-than-expected utilities expenses (income: +0.8/expenses: -4.8)	-4.1
● Other operating expenses	Increase or decrease in various leasing business revenues, etc.	+0.6
● General and administrative expenses, etc.	Downturn in various expense decreases, etc.	+7.7
● Interest and borrowing-related expenses, etc.	Downturn in interest and borrowing-related expenses Recording of gain on forfeiture of unclaimed dividends for the 5th FP, etc.	+2.5
● Compensation for damages	Receipt of compensation for damages from the Asset Manager	+666.0
Total (net income) vs. Former Forecast		+732.7

Main reasons for fluctuation in net income > vs. Revised Forecast

(JPY million)

● Operating revenues	Upturn in special event revenue, etc.	+1.4
● Utility expenses (NET)	Decrease in expenses due to lower utility expenses than in the revised forecast (income: -0.8/expenses: +2.7)	+1.9
● Other operating expenses	Decrease in repair expenses, etc.	+0.7
● General and administrative expenses, etc.	Downturn in various expense, etc.	+6.8
● Interest and borrowing-related expenses, etc.	Downturn in borrowing-related expenses, etc.	+9.6
Total (net income) vs. Revised Forecast		+20.4

3

Earnings Forecasts



Forecast for 13th FP (July/2023)



Including the decrease or occurrence of one-time special factors and increases in various leasing business expenses and general and administrative expenses related to commercial facilities.

>DPU forecast: JPY 3,077 (JPY 2,206 decline from the previous period)

Forecast for 13th FP (Jul/2023)

(JPY million)

	12th FP (Jan/2023) Actual (a)	13th FP (Jul/2023) Forecast as of September 14, 2022 (b)	13th FP (Jul/2023) Forecast as of March 17, 2023 (c)	vs. Previous period (c-a)	vs. Forecast (c-b)
Operating revenues	2,541	2,473	2,507	-33	33
Operating income	1,362	1,251	1,204	-157	-46
Ordinary income	1,194	1,133	1,084	-110	-49
Net income	1,859*	1,132	1,083	-776	-49
DPU	JPY 5,283*	JPY 3,218	JPY 3,077	JPY -2,206	JPY -141
Depreciation	179	185	182	2	-2
NOI after depreciation	1,571	1,461	1,426	-145	-34
NOI yield after depreciation	4.5%	4.2%	4.1%	-35bp	-10bp
Number of operating days	184 days	181 days	181 days	-3 days	0 day

* 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 distribution per unit was JPY 3,390.

Main reasons for fluctuation in net income > vs. Previous Period

(JPY million)

● Operating revenues	Revenue from reimbursement of expenses with sponsors implemented during the 12th FP (+41.0), temporary decrease in revenue due to downtime during tenant replacement, etc. (-22.5)	-63.6
● Utility expenses (NET)	Increase in expenses due to higher utilities expenses (income: +30.2/expenses: -34.3)	-4.0
● Tenant operating compensation	Includes estimated operating compensation to tenants due to a water leak incident at tonarie Seiwadai	-29.1
● Repair expenses	Increase in repair expenses	-27.8
● Other operating expenses, general and administrative expenses, etc.	Increase in facility insurance premiums and BM expenses, etc. Increase in various expenses, etc. due to an increase in the number of unitholders, etc.	-33.0
● Interest and borrowing-related expenses, etc.	Decrease of refinancing costs incurred in the 12th FP, etc.	+47.5
● Compensation for damages	Decrease of compensation for damages received from the Asset Manager during the 12th FP	-666.0
Total (net income) vs. Previous Period		-776.1

3. Earnings Forecasts



Forecast for 14th FP (Jan/2024)

Increase in leasing revenue due to tenant replacement, etc. covering the increase in utilities expenses (NET) .

Despite anticipated refinancing costs scheduled to be incurred in the 14th FP.

> DPU forecast: JPY 3,082 (JPY 5 increase from the previous period forecast)

Forecast for 14th FP (Jan/2023)

(JPY million)

	13th FP Forecast as of March 17, 2023 (a)	14th FP Forecast as pf March 17, 2023 (b)	vs. Previous Forecast (b-a)
Operating revenues	2,507	2,552	44
Operating income	1,204	1,231	26
Ordinary income	1,084	1,085	1
Net income	1,083	1,084	1
DPU	JPY 3,077	JPY 3,082	JPY 5
Depreciation	182	187	4
NOI after depreciation	1,426	1,455	28
NOI yield after depreciation	4.1%	4.2%	2bp
Number of operating days	181 days	184 days	3 days

Main reasons for fluctuation in net income > vs. Previous Period Forecast

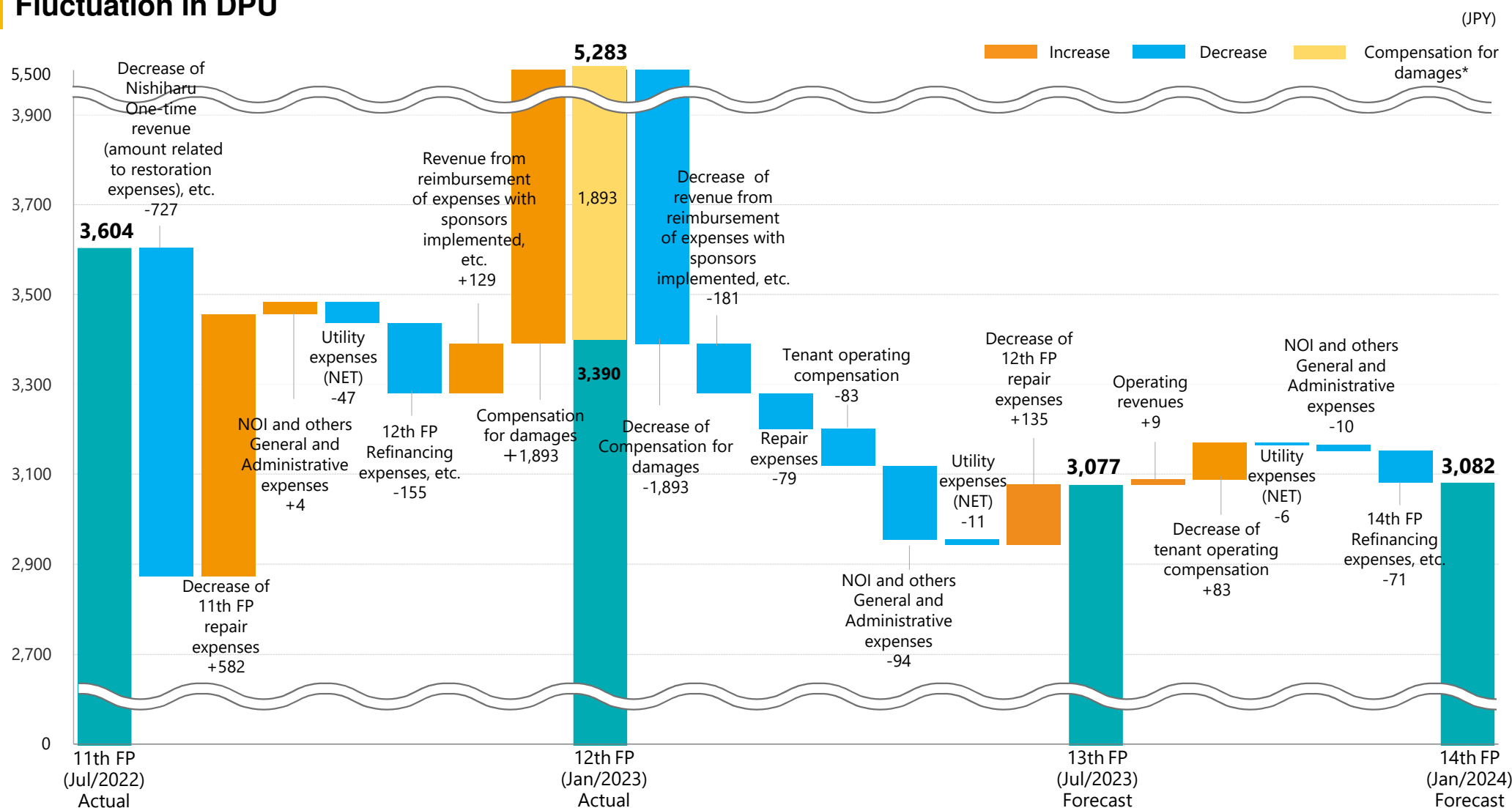
(JPY million)

● Operating revenues	Increase in revenue due to replacement of tenants, etc.	+3.0
● Utility expenses (NET)	Increase in expenses due to higher utilities expenses (income:+41.4/expenses:-43.6)	-2.2
● Tenant operating compensation	Decrease of operating compensation to tenants due to a water leak incident at tonarie Seiwadai	+29.1
● Other operating expenses, general and administrative expenses, etc.	Increase in depreciation, etc. Increase in various expenses, etc.	-3.5
● Interest and borrowing-related expenses, etc.	Refinancing costs of JPY 4.61 billion loan scheduled for January 2024, etc.	-25.2
Total (net income) vs. Previous Period Forecast		+1.3

Factors of change in Distribution per share

Although 13th FP DPU will be lower due to the decrease or occurrence of one-time extraordinary factors, steady implementation of measures such as replacement of tenants will absorb the increase in utility expenses and other expenses, and 14th FP DPU is expected to turn around to an increase

Fluctuation in DPU



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

4

Financial Status and Policy

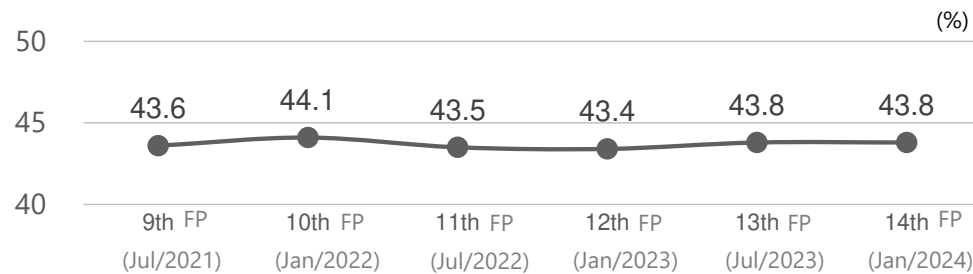
Achieved diversification of borrowing period by refinancing JPY 9,860 million debt in borrowings due at the end of January 2023.

Financial Highlights

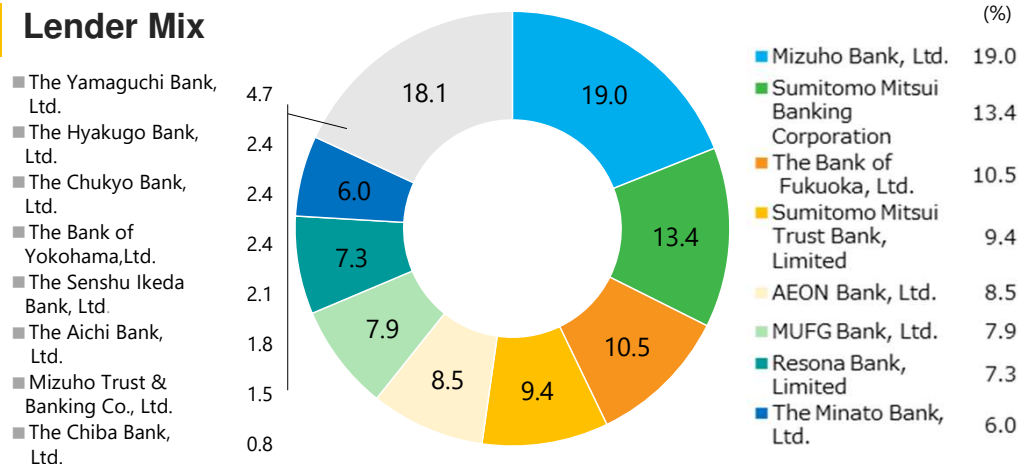
As of January 31, 2023

Total interest-bearing debt	33.09 JPY billion	Average remaining term	3.2 years
Average Interest Rate	0.49%	Ratio of long-term borrowings	100.0%

LTV Control*



Lender Mix



* 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

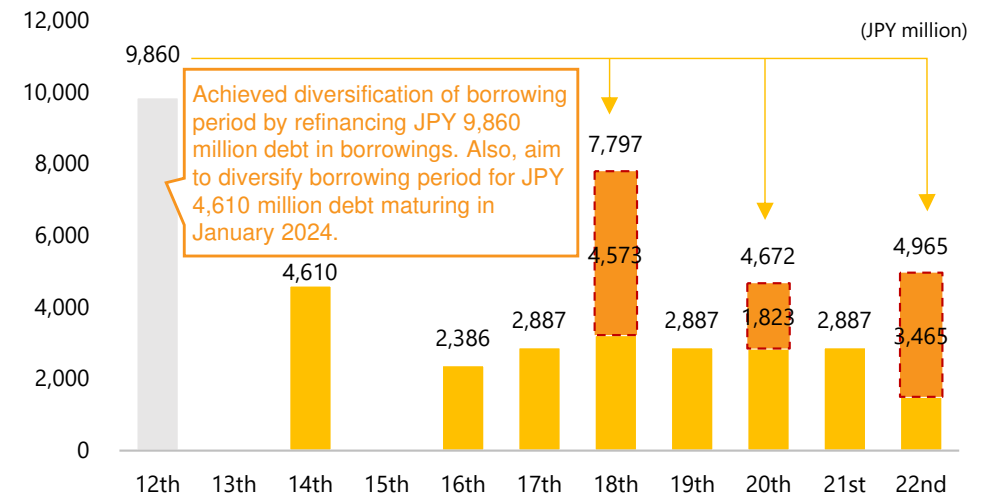
A- (stable)

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.

Debt repayment schedule



Future Policies

- Reestablish good relations with lenders
- Bring borrowing costs back to the level they were before receiving the administrative disposition
- Diversify borrowing period, lengthen loan terms, and fix interest rates
- LTV level control

5

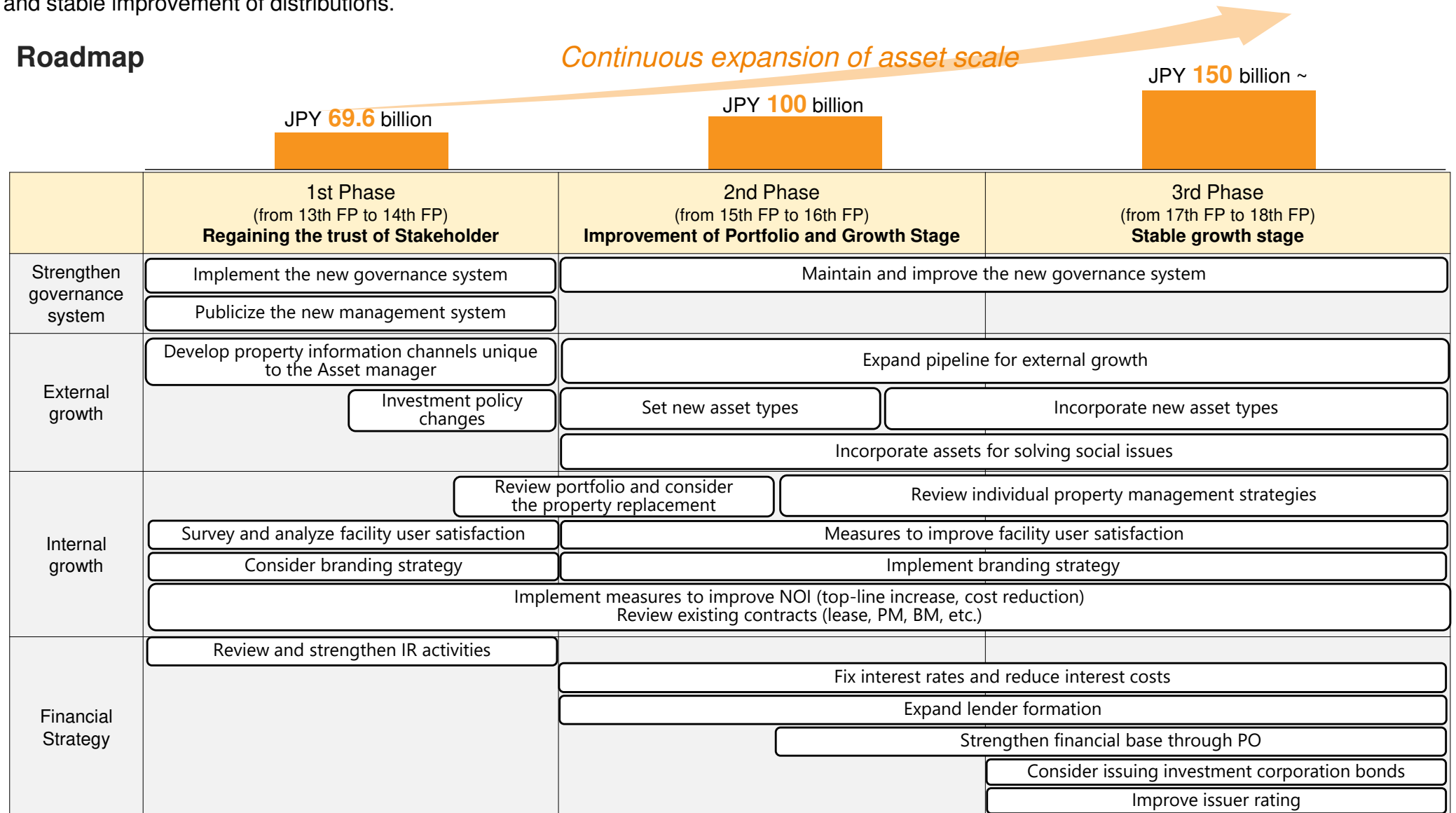
Growth Strategy



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 facilities such as the “*tonarie*”, while targeting growth with continuous expansion of asset scale and stable improvement of distributions.

Roadmap



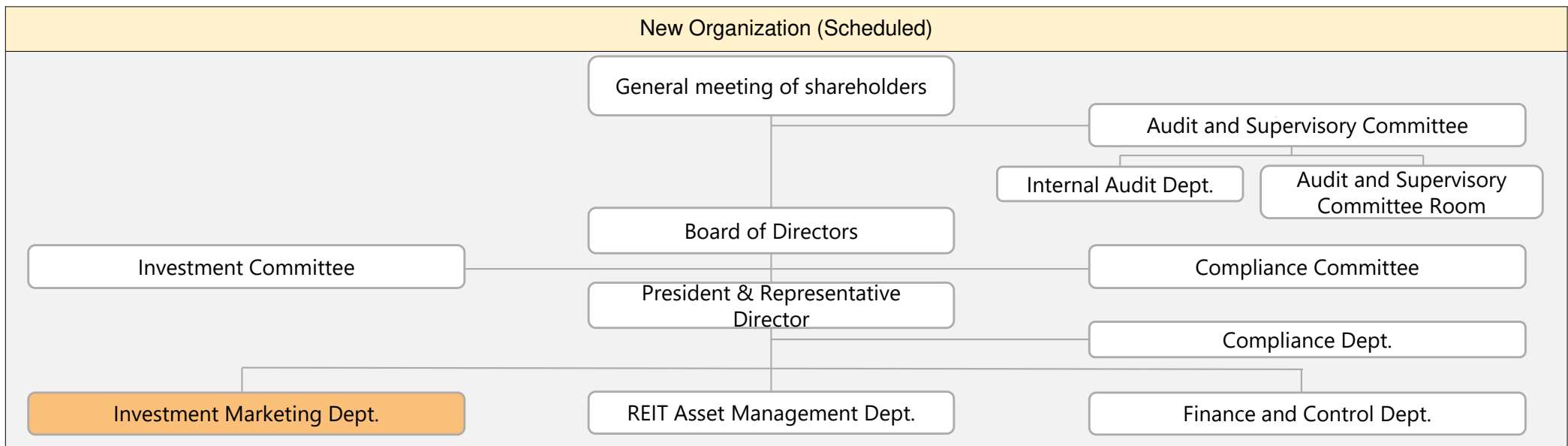
Organizational Changes at the Asset Manager (two changes planned under the guidance of the FSA)

(1) Establishment of Investment Marketing Department

Leveraging the Asset Manager's proprietary network and the network of its sponsor support companies, the Asset Manager will continuously acquire high-quality investment information, and in order to pursue steady external growth the new Investment Marketing Department will be established and activities such as surveys on real estate transaction and rent markets, real estate investment surveys, real estate price assessments, and decisions on the acquisition of assets under management, etc. which are currently under the control of the REIT Asset Management Department, will be transferred to this new department.

(2) Abolishment of Type II Financial Instruments Business and Investment Advisory and Agency Business, and abolishment of the Fund Asset Management Department

The Asset Manager had been registered as a Type II Financial Instruments Business and Investment Advisory and Agency Business for the purpose of providing management advice to private funds and the purchase and sale of fund interests. However, since the Asset Manager does not expect to conduct business related to private funds for the time being, it plans to abolish the Type II Financial Instruments Business and Investment Advisory and Agency Business and abolish the Fund Asset Management Department, which is in charge of such business, in order to specialize in the business of managing the assets of ESCON REIT.



6

ESG Strategy

Formulation of materiality - Key Issues



	Key Issues	Policy	Direction/Measures	Relevant SDGs
<div>E</div> <div>Environment</div>	<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 	<div>7</div> <div>11</div> <div>13</div>
	<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 	<div>7</div> <div>11</div> <div>13</div>
	<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) 	<div>7</div> <div>13</div> <div>17</div>
<div>S</div> <div>Social</div>	<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 Hosts dementia awareness event Participation in the "Child-raising Support Passport Project" 	<div>11</div> <div>17</div>
	<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 	<div>3</div> <div>11</div> <div>12</div>
	<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 	<div>3</div> <div>5</div> <div>8</div>
<div>G</div> <div>Governance</div>	<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 	<div>16</div> <div>12</div>
	<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 	<div>16</div> <div>12</div> <div>17</div>

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

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.

^{*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). Currently, 170 Investor Members (with more than \$51 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.



● DBJ Green Building^{*2} Certifications

ESCON REIT has obtained DBJ Green Building Certifications for a total of five properties. ESCON REIT will work to reacquire DBJ Green Building Certifications for the four tonarie properties for which certification was acquired in 2020 and will expire in 2023.

Certified properties	Certification rank	Certified date
tonarie Toga・Mikita	2020 	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

^{*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”). 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.

Take environmental issues into consideration through collaboration with tenants

● Consider the introduction of green lease clauses^{*3}

ESCON REIT works with tenants going forward to promote the introduction of green lease clauses.

^{*3} 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.

Future Policies

In order to solve social issues related to the environment, such as climate change, etc., ESCON REIT will work to reduce the environmental impact with utilizing the facilities and leasehold land managed by it.

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



Christmas Concert
(tonarie Minami-senri)



Blue Sky Concert
(tonarie Seiwadai)



Takada Commercial
High School Marche
(tonarie Yamatotakada)



Campaign to eradicate
remittance fraud
(tonarie Seiwadai)

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

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. In addition, ESCON REIT held a dementia awareness event at tonarie Minami-senri. ESCON REIT continues to promote initiatives in this fiscal period.

- 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, 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)



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 and holding dementia supporter courses, etc.)

Future Policies

The lifestyle-focused commercial facilities 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, and ESCON REIT believes that this function will become even more important in the future. ESCON REIT is proud of its role and is considering further initiatives that will contribute to society.

G Governance

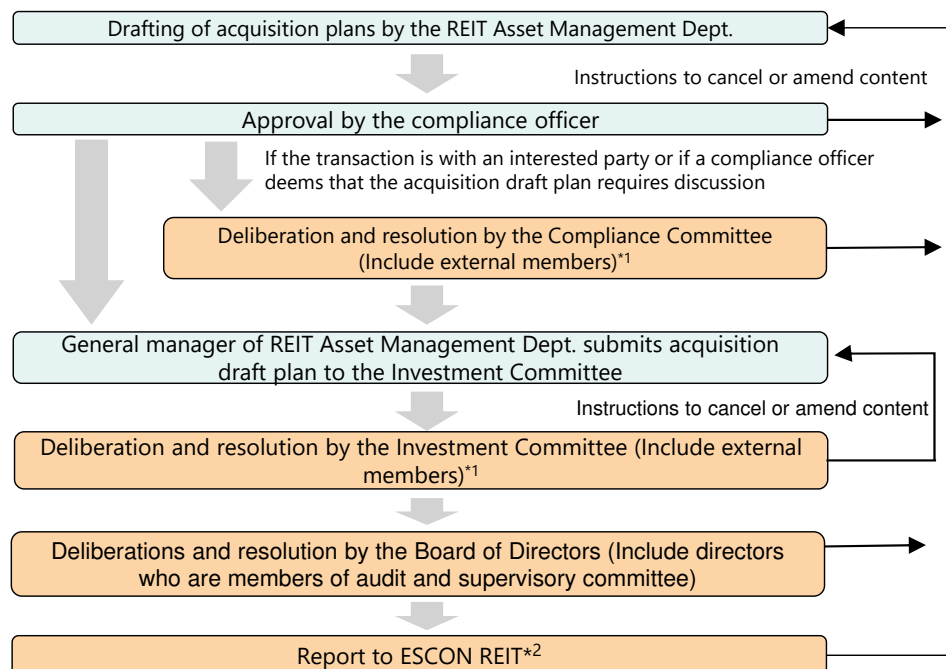
Further strengthening of Governance

• 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 committee (three directors who are members of the audit and supervisory committee, including two outside directors) as of June 28, 2022.

• Decision-making process for property acquisitions

In response to the administrative disposition, the Asset Manager has established property acquisition standards and a property acquisition business manual, and are moving forward with the restructuring of our system for managing conflicts of interest when acquiring properties, including changing the decision-making flow to require a resolution of the Board of Directors whenever acquiring a property.



• Strengthening of Compliance System and Enhancement of compliance training

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

Furthermore, in response to the administrative disposition, the Asset Manager is conducting various training programs with the goal of continuously improving its conflict of interest management system.

• Governance structure to maximize unitholder value

The Asset Manager's asset management fee is linked to two separate components; total assets and Income before income taxes.

ESCON REIT believes that this fee structure will provide enough incentive for the Asset Manager to maximize unitholders' value by the same target sight for improving profit.

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.

Others

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

21 companies (approx. 35%) of J-REITs have introduced the unitholders' associations system.

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

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

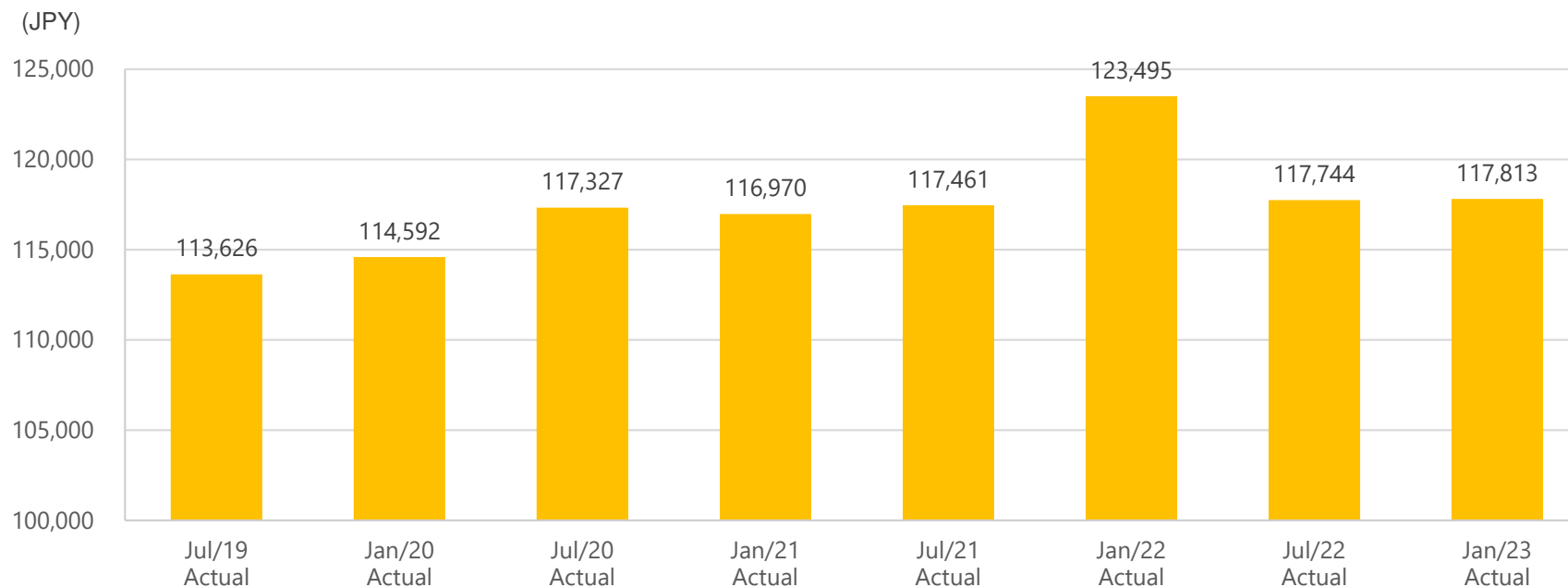
*2 If the acquisition draft plan constitutes a transaction with an interested party that requires approval from ESCON REIT's Board of Directors under the Investment Trust Law, prior approval from ESCON REIT's Board of Directors should be obtained



Appendix

Net Asset Value per unit and Occupancy Rate

NAV per unit ^{*1}



*1 (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

Portfolio Occupancy Rate^{*2}

5 th FP (Jul/2019)	6 th FP (Jan/2020)	7 th FP (Jul/2020)	8 th FP (Jan/2021)	9 th FP (Jul/2021)	10 th FP (Jan/2022)	11 th FP (Jul/2022)	12 th FP (Jan/2023)
99.7%	99.9%	99.8%	99.8%	99.5%	99.7%	99.9%	100%

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

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 area in the table above includes the 4,485.14m² leased area on the third floor, which was vacant as of January 31, 2023.

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



(JPY thousand)

	11th FP (Jul/22)	12th FP (Jan/23)
Assets		
Current assets		
Cash and deposits	2,628,014	2,852,651
Cash and deposits in trust	3,424,810	3,506,168
Operating accounts receivable	64,514	55,606
Prepaid expenses	54,126	64,974
Total current assets	6,171,466	6,479,401
Non-current assets		
Property, plant and equipment		
Buildings	7,063	7,063
Accumulated depreciation	-282	-646
Buildings, net	6,781	6,417
Buildings in trust	12,565,139	12,661,970
Accumulated depreciation	-885,961	-1,058,360
Buildings in trust, net	11,679,178	11,603,609
Structures in trust	146,110	146,110
Accumulated depreciation	-27,951	-31,507
Structures, net	118,159	114,603
Tools, furniture and fixtures in trust	34,338	42,155
Accumulated depreciation	-9,910	-13,430
Tools, furniture and fixtures in trust, net	24,427	28,725
Land in trust	57,914,000	57,914,000
Total property, plant and equipment	69,742,547	69,667,355
Intangible assets		
Trademarks	610	556
Other	2,615	1,799
Total intangible assets	3,226	2,355
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	87,101	141,311
Deferred tax assets	10	28
Total investments and other assets	97,111	151,339
Total non-current assets	69,842,885	69,821,050
Total assets	76,014,351	76,300,452

	11th FP (Jul/22)	12th FP (Jan/23)
Liabilities		
Current liabilities		
Operating accounts payable	441,832	139,448
Current portion of long-term borrowings	9,860,000	4,610,000
Accounts payable	12,775	73,461
Accrued expenses	164,445	166,257
Income tax payable	816	1,203
Accrued consumption tax	88,948	19,688
Advances received	332,701	332,029
Deposits received	772	267
Total current liabilities	10,902,292	5,342,357
Non-current liabilities		
Long-term borrowings	23,231,000	28,481,000
Tenant lease and guarantee deposits in trust	2,505,350	2,510,420
Total non-current liabilities	25,736,350	30,991,420
Total liabilities	36,638,643	36,333,778
Net assets		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,268,499	1,859,465
Total surplus	1,268,499	1,859,465
Total unitholders' equity	39,375,708	39,966,674
Total net assets	39,375,708	39,966,674
Total liabilities and net assets	76,014,351	76,300,452



Statements of Income and Retained Earnings



(JPY thousand)

	11th FP (Jul/22)	12th FP (Jan/23)
Operating revenues		
Leasing business revenue	2,196,062	2,203,845
Other leasing business revenue	510,392	337,333
Total operating revenue	2,706,455	2,541,179
Operating expenses		
Expenses related to leasing business	1,118,503	969,223
Asset management fee	138,050	140,176
Asset custody fees	3,667	3,654
Administrative service fees	11,097	11,372
Remuneration for director (and other officers)	2,700	2,700
Taxes and public dues	8,435	11,495
Other operating expenses	41,758	40,291
Total operating expenses	1,324,211	1,178,915
Operating income	1,382,243	1,362,264
Non-operating income		
Interest income	25	28
Gain on exclusion of unpaid distributions	-	1,171
Interest on tax refund	121	-
Total non-operating income	147	1,199
Non-operating expenses		
Interest expenses	82,282	82,003
Borrowing related expenses	29,678	85,494
Other	1,230	1,323
Total non-operating expenses	113,191	168,820
Ordinary income	1,269,199	1,194,644
Extraordinary income		
Compensation for damages	-	666,000
Total Extraordinary income	-	666,000
Income before income taxes	1,269,199	1,860,644
Income taxes-current	820	1,207
Income taxes adjustment	9	-18
Total income taxes	829	1,189
Net income	1,268,369	1,859,454
Retained earnings bought forward	130	10
Unappropriated retained earnings (undisposed loss)	1,268,499	1,859,465

Income and Expenditure by Property

(JPY thousand)

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)		
Operating days	184	184	184	184	184	184	184	184	184	184	184	184	184	184	184		
Age of buildings (year)	22.4	22.8	—	—	—	18.3	15.3	4.3	3.8	—	—	—	—	—	—		
Operating revenues	278,563	21,527	70,570	Not disclosed	Not disclosed	354,342	198,566	182,850	265,815	41,382	62,177	Not disclosed	21,600	72,000	Not disclosed		
Leasing business revenue	185,300	16,953	70,570			274,106	152,412	147,620	223,722	38,148	62,176		21,600	72,000			
Other	93,262	4,574	—			80,235	46,153	35,230	42,092	3,233	1		—	—			
Expenses related to leasing business	159,727	8,147	7,288			146,120	87,415	74,648	93,905	6,987	5,544		2,673	4,977			
Taxes and public dues	23,924	1,333	6,738			24,072	12,690	12,590	14,820	6,237	4,794		2,104	4,408			
Management fees	32,589	2,100	300			47,356	25,522	23,572	33,229	500	500		300	300			
Insurance premium	473	132	—			303	346	575	396	—	—		—	—			
Repair expenses	12,780	205	—			6,302	6,869	1,000	428	—	—		—	—			
Other	89,958	4,375	250			68,085	41,986	36,909	45,031	250	250		269	269			
Leasing NOI	118,835	13,380	63,282	26,679	10,595	208,222	111,150	108,202	171,909	34,394	56,633	30,857	18,926	67,022	21,953		
Depreciation	19,810	893	—	—	—	15,287	25,577	21,844	32,840	—	—	—	—	—	—		
Operating income	99,024	12,487	63,282	26,679	10,595	192,934	85,573	86,358	139,069	34,394	56,633	30,857	18,926	67,022	21,953		
Book value at end of fiscal period	3,190,527	453,478	2,737,549	1,007,414	368,224	7,230,140	3,187,470	4,084,867	6,898,172	1,284,444	2,154,463	1,443,034	955,939	2,758,189	1,019,016		
NOI yield before depreciation*	7.4%	5.9%	4.6%	5.3%	5.7%	5.7%	6.9%	5.3%	4.9%	5.3%	5.2%	4.2%	3.9%	4.8%	4.3%		
NOI yield after depreciation*	6.2%	5.5%	4.6%	5.3%	5.7%	5.3%	5.3%	4.2%	4.0%	5.3%	5.2%	4.2%	3.9%	4.8%	4.3%		
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 Mukokamiuen o (Leasehold Land)	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	Cocokara Fine Neyagawakoen (Leasehold Land)	ENEOS Ikawadani SS (Leasehold Land)	GEO Hikone Takamiya (Leasehold Land)	Yoshizuya Y Store Nishiharu	MaxValu Kikyougaka-higashi (Leasehold land)	Fukuoka Kasuga Project (Leasehold land)	SUROY MALL Nagamine	Fuji Grand Natalie	K's Denki Kurashiki (Leasehold land)	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)				
Operating days	184	184	184	184	184	184	184	184	184	184	184	184	184				
Age of buildings (year)	—	—	—	—	—	—	28.4	—	—	15.5	23.7	—	—			17.2 (Average)	
Operating revenues	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	115,550	Not disclosed	266,315	178,931	Not disclosed	Not disclosed	Not disclosed				
Leasing business revenue							112,654		266,315	149,317							
Other							2,896		—	29,613							
Expenses related to leasing business							47,213		36,968	59,461							
Taxes and public dues							16,305		33,424	14,025							
Management fees							22,228		1,980	12,965							
Insurance premium							761		—	909							
Repair expenses							5,503		—	2,335							
Other							2,414		1,564	29,225							
Leasing NOI	18,456	10,127	10,933	13,947	11,585	6,626	68,337	14,237	229,347	119,470	105,196	53,235	28,245	1,751,795			
Depreciation	—	—	—	—	—	—	32,288	—	—	11,234	20,063	—	—	179,839			
Operating income	18,456	10,127	10,933	13,947	11,585	6,626	36,049	14,237	229,347	108,235	85,133	53,235	28,245	1,571,956			
Book value at end of fiscal period	718,269	464,956	571,393	709,317	535,849	304,134	4,585,492	483,542	10,537,198	4,609,111	3,928,161	2,136,105	1,310,888	69,667,355			
NOI yield before depreciation*	5.1%	4.3%	3.8%	3.9%	4.3%	4.3%	3.0%	5.8%	4.3%	5.1%	5.3%	4.9%	4.3%	5.0% (Average)			
NOI yield after depreciation*	5.1%	4.3%	3.8%	3.9%	4.3%	4.3%	1.6%	5.8%	4.3%	4.7%	4.3%	4.9%	4.3%	4.5% (Average)			

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

(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)				
1	Asumigaoka Brand-New Mall	3,200	3,380	3,310	-70	6.4%	5.2%	5.0%
	Asumigaoka Sushiro (Leasehold land)		150	150	-			4.4%
	Asumigaoka McDonald's (Leasehold land)		147	148	1			~3FY : 4.2% 4FY~ : 4.3%
2	Nishi-shiroi Ekimae Plaza	451	468	468	-	5.8%	5.4%	5.1%
3	K's Denki Oyumino (Leasehold land)	2,710	2,880	2,880	-	4.7%	4.7%	4.7%
4	Nitori Tsuchiura (Leasehold land)	999	1,090	1,090	-	5.4%	5.4%	5.3%
5	Nitori Imaichi (Leasehold land)	363	408	409	1	6.0%	6.0%	5.6%
6	tonarie Minami-senri	7,200	8,010	8,060	50	5.5%	5.1%	4.5%
7	tonarie Seiwadai	3,290	3,420	3,390	-30	5.9%	4.3%	5.2%
8	tonarie Yamatotakada (ownership50%)	4,150	4,050	4,035	-15	4.8%	3.7%	4.7%
9	tonarie Toga・Mikita	6,986	7,090	7,060	-30	4.8%	3.8%	4.4%
10	LAMU Kitatsumori (Leasehold land)	1,270	1,480	1,480	-	4.9%	4.9%	4.3%
11	K's Denki Nishikobe (Leasehold land)	2,133	2,470	2,470	-	5.3%	5.3%	4.6%
12	Sanyo Marunaka Mitani (Leasehold land)	1,430	1,530	1,540	10	4.4%	4.4%	4.6%
13	Tsutaya Sakai-minami (Leasehold land)	946	1,030	1,030	-	4.1%	4.1%	4.5%
14	LIFE Daisen (Leasehold land)	2,733	3,060	3,060	-	4.9%	4.9%	4.3%
15	TRIAL Omihachiman (Leasehold Land)	1,010	1,100	1,100	-	4.4%	4.4%	4.6%
16	Kusuri no Aoki Ikaruga (Leasehold Land)	711	730	730	0	5.3%	5.3%	5.2%
17	DRUG Yutaka Mukokamiueno (Leasehold Land)	460	477	477	-	4.5%	4.5%	4.4%
18	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	565	577	577	-	4.2%	4.2%	~7FY : 4.0% 8FY~ : 4.1%
19	Cocokara Fine Neyagawakoen (Leasehold Land)	702	717	717	-	4.3%	4.3%	~5FY : 4.1% 6FY~ : 4.2%

№	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)				
20	ENEOS Ikawadani SS (Leasehold Land)	530	531	531	-	4.7%	4.7%	~7FY : 4.2% 8FY~ : 4.3%
21	GEO Hikone Takamiya (Leasehold Land)	300	306	306	-	4.8%	4.8%	~1month : 4.2% 2month~ : 4.3%
22	Yoshizuya Y Store Nishiharu	4,610	2,330	2,330	-	2.7%	1.2%	4.8%
23	MaxValu Kikyogaoka-higashi (Leasehold land)	477	541	541	-	6.1%	6.1%	5.6%
24	MrMAX Kasuga (Leasehold land)	3,387	3,930	3,940	10	4.4%	4.4%	4.5%
	UNIQLO Kasuga (Leasehold land)	595	670	672	2	4.0%	4.0%	4.6%
	Avail.Shimamura Kasuga (Leasehold land)	863	1,110	1,110	-	4.8%	4.8%	4.6%
	au-Softbank Kasuga (Leasehold land)	143	160	160	-	4.6%	4.6%	4.6%
	Kura Sushi Kasuga (Leasehold land)	261	304	304	-	4.7%	4.7%	4.6%
	docomo Shop Kasuga (Leasehold land)	160	181	182	1	4.6%	4.6%	4.6%
	Konpira Maru Kasuga (Leasehold land)	236	265	265	-	4.7%	4.7%	4.6%
	One-Karubi Kasuga (Leasehold land)	236	265	264	-1	4.7%	4.7%	4.6%
	Suke-san Kasuga (Leasehold land)	401	420	420	-	4.4%	4.4%	4.6%
	NAFCO Kasuga (Leasehold land)	2,631	3,430	3,440	10	4.5%	4.5%	4.5%
	K's Denki Kasuga (Leasehold land)	1,487	1,840	1,860	20	4.3%	4.3%	4.5%
25	SUROY MALL Nagamine	4,600	4,650	4,620	-30	5.1%	4.7%	5.0%
26	Fuji Grand Natalie	3,950	4,100	4,120	20	5.2%	4.2%	4.9%
27	K's Denki Kurashiki (Leasehold land)	2,121	2,450	2,450	-	5.0%	5.0%	4.6%
28	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	1,300	1,330	1,330	-	4.4%	4.4%	4.4%
Total		69,604	73,077	73,026	-50	4.9%	4.3%	-

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



(as of January 31, 2023)

No.	Property name	Area	Location	Asset type	Number of tenants	Occupancy rate (%)
1 (ST-1)	Asumigaoka Brand-New Mall	Tokyo metropolitan	Chiba-shi, Chiba	Land and Building	32	99.9
2 (ST-2)	Nishi-shiroi Ekimae Plaza	Tokyo metropolitan	Shiroi-shi, Chiba	Land and Building	4	100.0
3 (SS-1)	K's Denki Oyumino (Leasehold land)	Tokyo metropolitan	Chiba-shi, Chiba	Leasehold land	1	100.0
4 (SS-2)	Nitori Tsuchiura (Leasehold land)	Tokyo metropolitan	Tsuchiura-shi, Ibaraki	Leasehold land	1	100.0
5 (SS-3)	Nitori Imaichi (Leasehold land)	Tokyo metropolitan	Nikko-shi, Tochigi	Leasehold land	1	100.0
6 (KT-1)	tonarie Minami-senri	Kinki metropolitan	Suita-shi, Osaka	Land and Building	47	100.0
7 (KT-2)	tonarie Seiwadai	Kinki metropolitan	Kawanishi-shi, Hyogo	Land and Building	33	100.0
8 (KT-3)	tonarie Yamatotakada (ownership 50%)	Kinki metropolitan	Yamatotakada-shi, Nara	Land and Building	66	99.2
9 (KT-4)	tonarie Toga•Mikita	Kinki metropolitan	Sakai-shi, Osaka	Land and Building	32	100.0
10 (KS-1)	LAMU Kitatsumori (Leasehold land)	Kinki metropolitan	Osaka-shi, Osaka	Leasehold land	1	100.0
11 (KS-2)	K's Denki Nishikobe (Leasehold land)	Kinki metropolitan	Kobe-shi, Hyogo	Leasehold land	1	100.0
12 (KS-3)	Sanyo Marunaka Mitani (Leasehold land)	Kinki metropolitan	Kobe-shi, Hyogo	Leasehold land	1	100.0
13 (KS-4)	Tsutaya Sakai-minami (Leasehold land)	Kinki metropolitan	Sakai-shi, Osaka	Leasehold land	1	100.0
14 (KS-5)	LIFE Daisen (Leasehold land)	Kinki metropolitan	Sakai-shi, Osaka	Leasehold land	1	100.0
15 (KS-6)	TRIAL Omihachiman (Leasehold Land)	Kinki metropolitan	Omihachiman-shi, Shiga	Leasehold land	1	100.0
16 (KS-7)	Kusuri no Aoki Ikaruga (Leasehold Land)	Kinki metropolitan	Ikoma-gun, Nara	Leasehold land	2	100.0
17 (KS-8)	DRUG Yutaka Mukokamiueno (Leasehold Land)	Kinki metropolitan	Muko-shi, Kyoto	Leasehold land	1	100.0
18 (KS-9)	WELCIA Amagasaki Mukomotomachi (Leasehold Land)	Kinki metropolitan	Amagasaki-shi, Hyogo	Leasehold land	1	100.0
19 (KS-10)	Cocokara Fine Neyagawakoen (Leasehold Land)	Kinki metropolitan	Neyagawa-shi, Osaka	Leasehold land	1	100.0
20 (KS-11)	ENEOS Ikawadani SS (Leasehold Land)	Kinki metropolitan	Kobe-shi, Hyogo	Leasehold land	1	100.0
21 (KS-12)	GEO Hikone Takamiya (Leasehold Land)	Kinki metropolitan	Hikone-shi, Shiga	Leasehold land	1	100.0
22 (TT-1)	Yoshizuya Y Store Nishiharu	Chukyo	Kitanagoya-shi, Aichi	Land and Building	56	99.9
23 (TS-1)	MaxValu Kikyogaoka-higashi (Leasehold land)	Chukyo	Nabari-shi, Mie	Leasehold land	1	100.0
24 (OT-1)	SUROY MALL Nagamine	Other area	Kumamoto-shi, Kumamoto	Land and Building	26	100.0
25 (OT-2)	Fuji Grand Natalie	Other area	Hatsukaichi-shi, Hiroshima	Land and Building	1	100.0
26 (OS-1)	K's Denki Kurashiki (Leasehold land)	Other area	Kurashiki-shi, Okayama	Lease hold land	1	100.0
27 (OS-2)	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	Other area	Sapporo-shi, Hokkaido	Leasehold land	1	100.0
28 (FS-1~11)	Fukuoka Kasuga Project (Leasehold land)	Fukuoka	Kasuga-shi, Fukuoka	Leasehold land	11	100.0
					329	100.0



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

Occupancy rate: Leased area/Rentable area*100

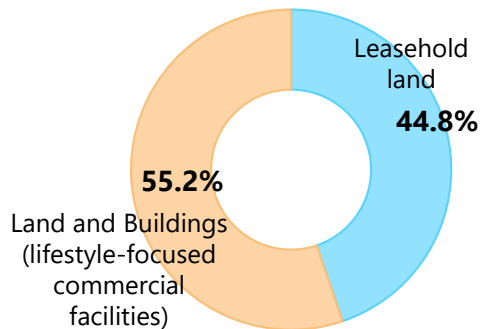
Yoshizuya Y Store Nishiharu consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased area includes the 4,485.14m² leased area on the third floor, which was vacant as of the end of the fiscal period.

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

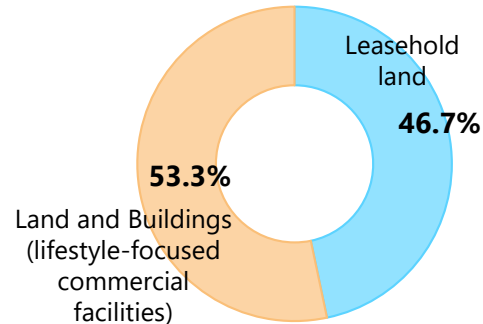
Stability through long-term remaining contract terms, high creditworthiness of tenants, and a tenant composition

Asset type

Based on acquisition price

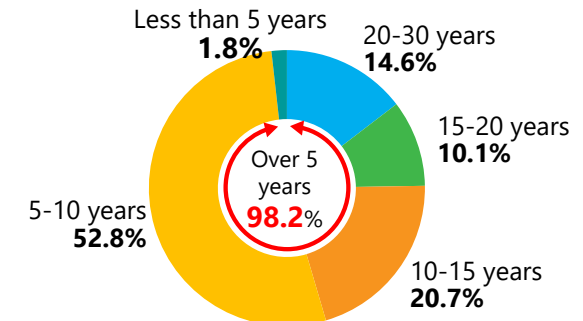


Based on NOI after depreciation*



Remaining lease*

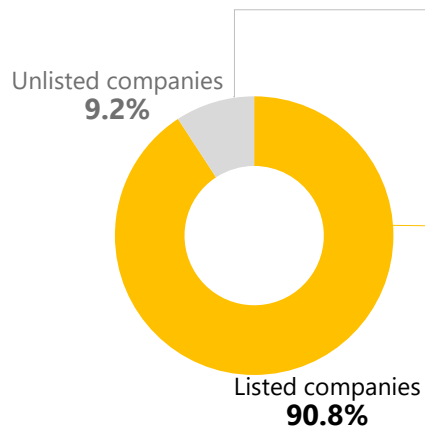
Based on leasable area



*Average: 12.2 years

Leasehold land tenants*

Based on leasing revenue



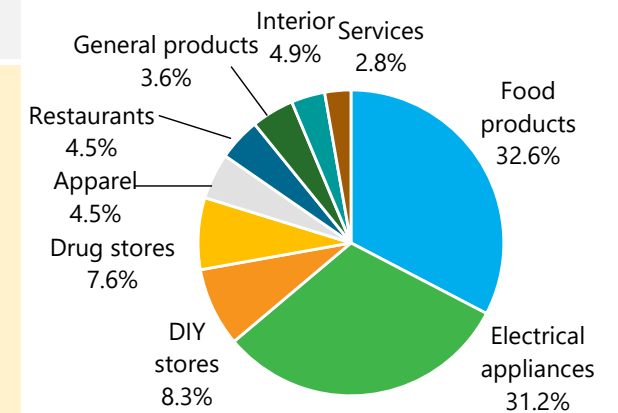
Leasehold land properties rented by unlisted companies

- | | |
|-------------------------------------------|------------------------------------------|
| 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 leasing revenue



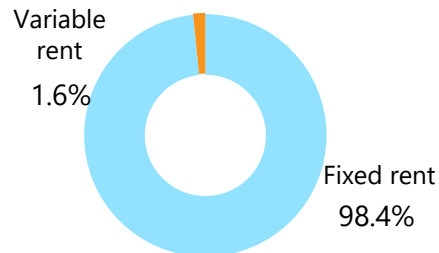
* The figures show the ratios as of July 31, 2022. 32 leasehold land includes 2 leasehold lands of Asumigaoka (No.21, No.22).



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

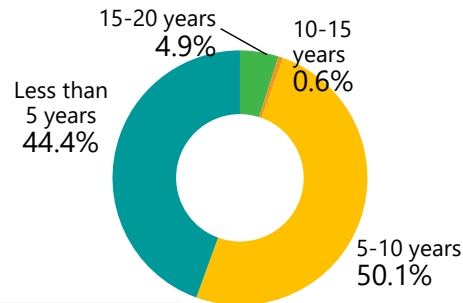
Ratio between fixed and variable rents^{*1}

Based on leasing revenue
*Ratio at 38 properties including leasehold lands



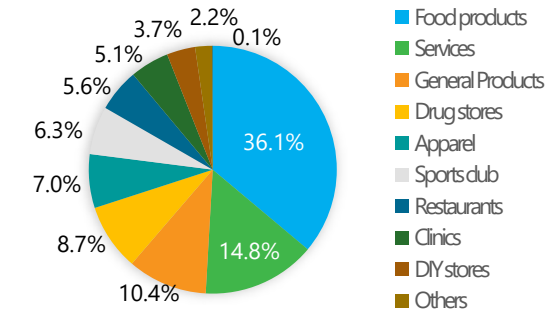
Remaining lease term^{*2}

Based on leasable area



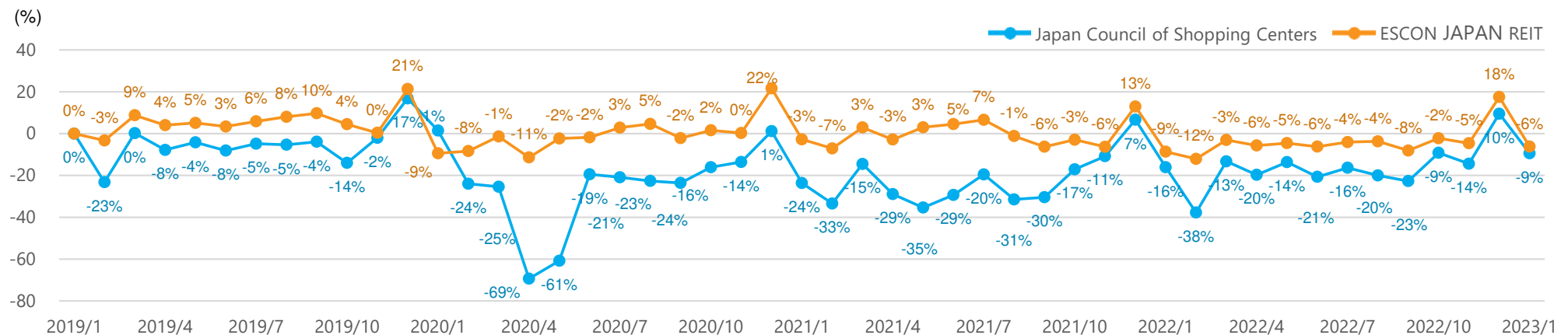
Category of tenants^{*2}

Based on contract rent + common charges



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 REIT's commercial facilities have been stable.



*1 The variable rent includes rent linked with event revenues and sales.

*2 As of January 31, 2022

*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 Center(<https://www.jcsc.or.jp/>)



ESCON REIT continues to maintain a high occupancy rate. In the 12th FP, the number of new tenants attracted exceeded the number of tenants who cancelled their lease agreements.

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. After 8th FP, there were no requests for termination, rent reduction, or payment extension from any of the leasehold land tenant

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 (Category)	New tenants*4 (Category)
8 th FP (Jan/2021)	eight tenants	three tenants JPY 17 thousand	None	None	five tenants (Services: one) (Restaurants: four)	five tenants (Services: two) (Restaurants: two) (Food products : one)
9 th FP (Jul/2021)	ten tenants	six tenants JPY 512 thousand	None	None	three tenants (Food Products: one) (General Products: one) (Apparel: one)	two tenants (Food Products: one) (General Products: one)
10 th FP (Jan/2022)	six tenants	seven tenants JPY 782 thousand	None	None	three tenants (General Products: two) (Restaurants: one)	five tenants (Services: one) (General Products: three) (Restaurants: one)
11 th FP (Jul/2022)	five tenants	three tenants JPY 1,230 thousand	None	None	three tenants (Apparel: one) (Services: one) (Food Products: one)	three tenants (General Products: one) (Food Products: one) (Services: one)
12 th FP (Jan/2023)	four tenants	one tenant JPY 2,907 thousand	None	None	five tenants (Restaurants: three) (General Products: one) (Services: one)	eight tenants (Restaurants: two) (General Products: one) (Services: five)

*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.

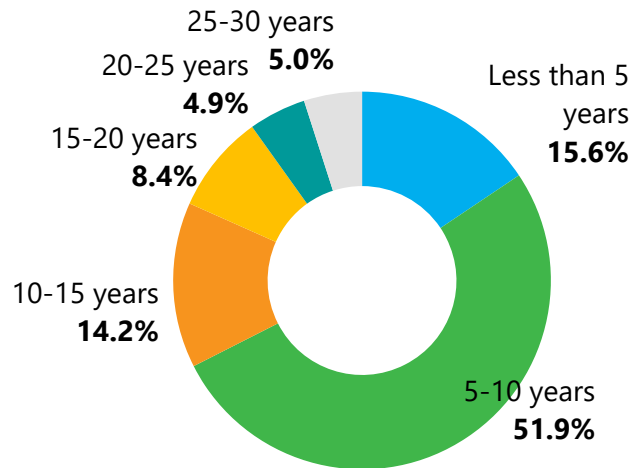
*4 "Number of terminations or move-out" indicates the number of tenants for which the contract with the relevant tenant expires before the end of the fiscal period, with the next day (the following fiscal period) as the cancellation date. In the case of the same tenant's change of business type involving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



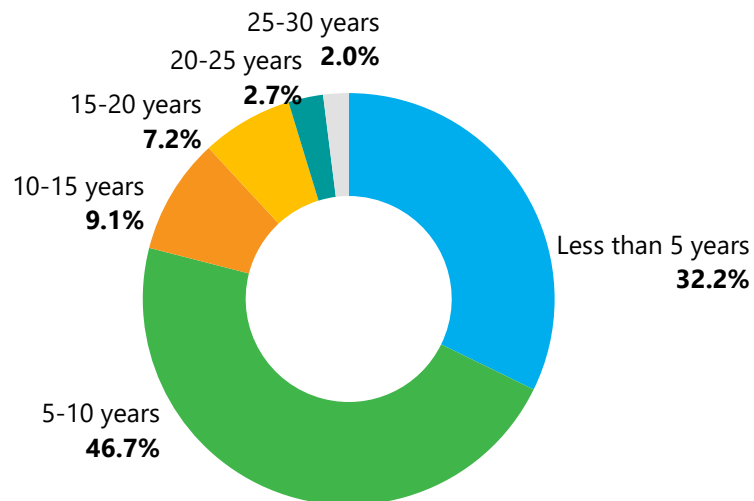
Remaining lease term based on portfolio

(as of January 31, 2023)

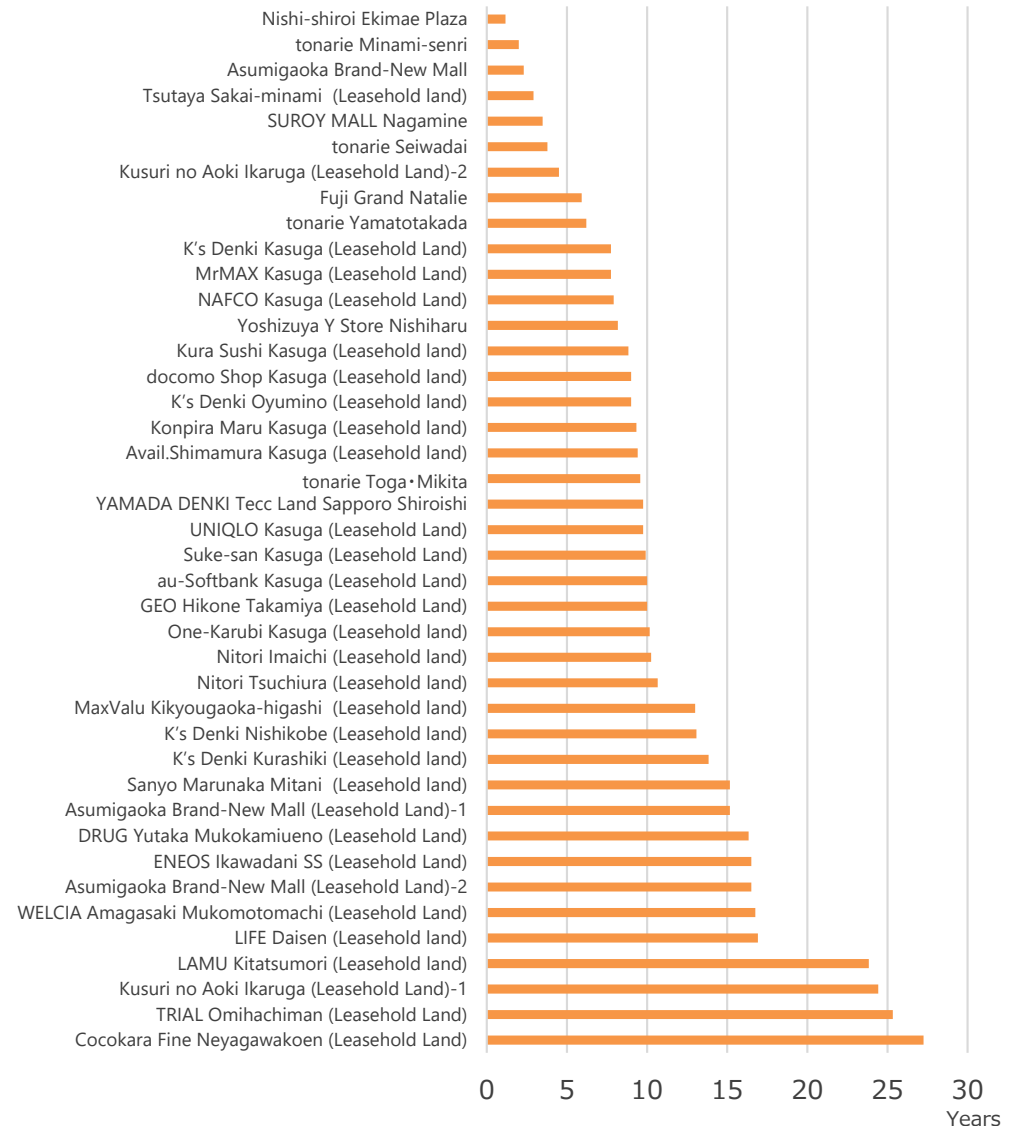
Based on leasable area



Based on leasing revenue



Based on portfolio*



* Remaining lease term based on portfolio is the average remaining lease term of all leasable space as of January 31, 2023. This figure is rounded off to one decimal place.



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	351,967

Portfolio

Asset size (Acquisition price basis)	JPY 69.6 billion, 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%

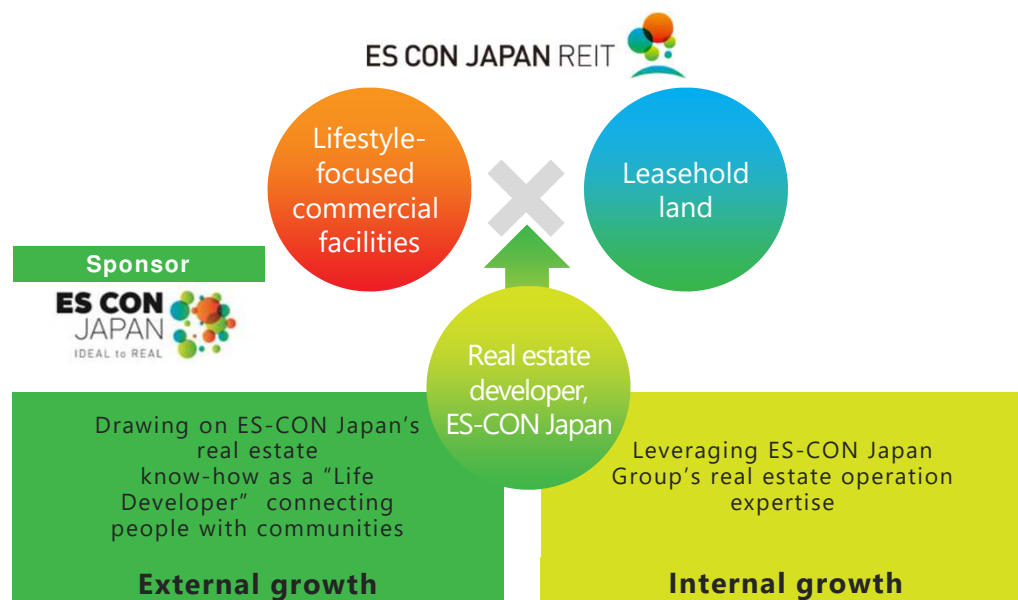
*The occupancy rate is calculated by the calculation formula below based on data as of January 31, 2023 and rounded off to the nearest first decimal place.

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 area includes the 4,485.14㎡ leased area on the third floor, which was vacant as of the end of the fiscal period. Taking into account the fact that the floor is vacant, the overall occupancy rate would be 98.8%.

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.



Supporters



中部電力

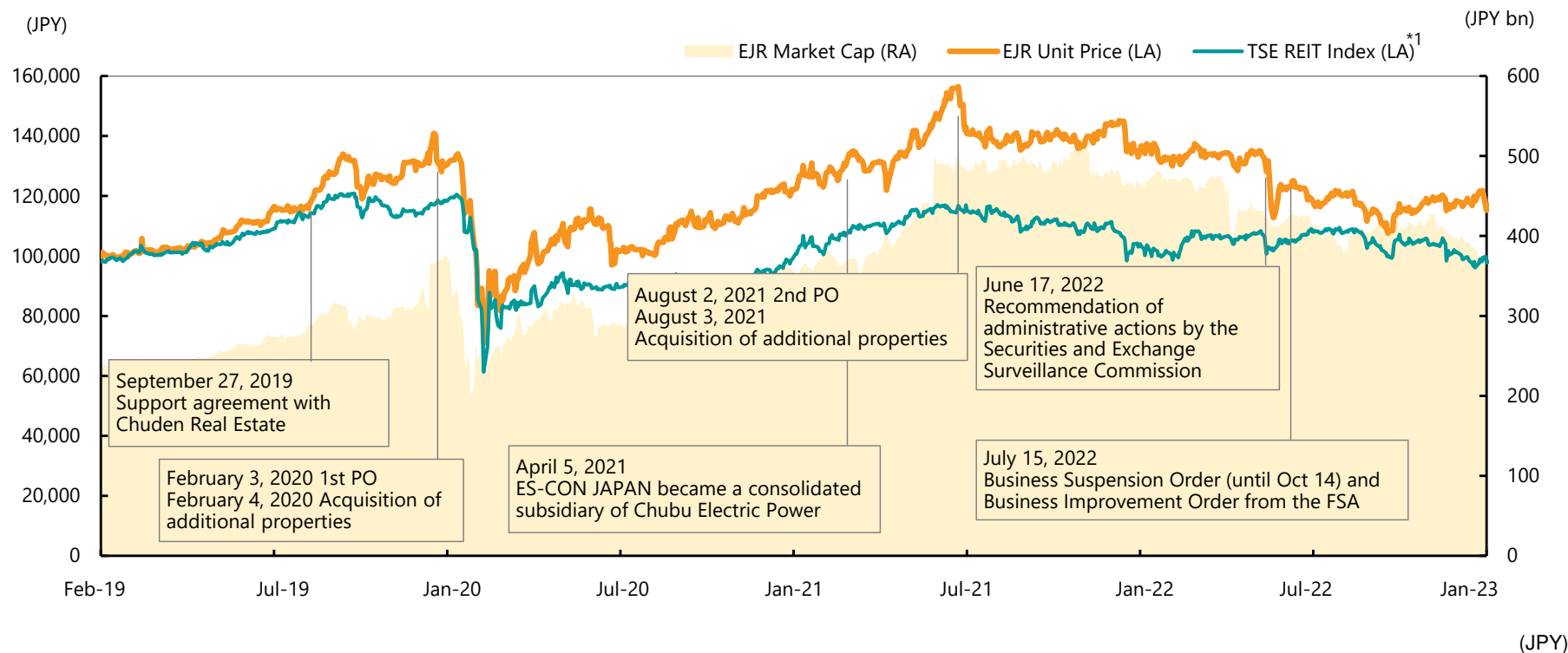


中電不動産

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



Unit price trend



February 13, 2019 (listing date) Issue price	February 3, 2020 1st PO	August 2, 2021 2nd PO	July 30, 2021	January 31, 2022	July 31, 2022	January 31, 2023
101,000	124,029	145,282	150,100	134,900	119,800	115,200

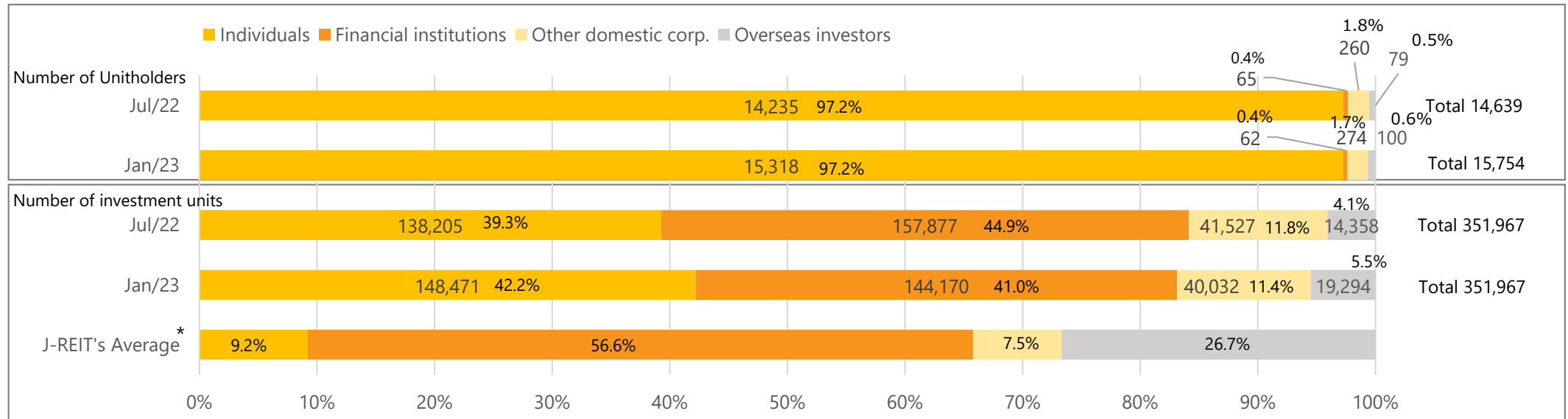
Dividend yield

Forecast dividend yield*2 EJR **5.35%** J-REITs Average 4.14%

*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 13th FP and 14th FP by the investment unit (closing price) as of January 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 January 2023) of the Japan Exchange Group.

Unitholders by type



*Refer to the Japan Exchange Group: REIT Investor Survey (Jan 17, 2023)

Top ten unitholders

(as of January 31, 2023)

Unitholders	Number of units held	Ownership ratio
1. The Master Trust Bank of Japan, Ltd. (Trust account)	32,400	9.2%
2. Custody Bank of Japan, Ltd.(Trust Account)	28,770	8.2%
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)	12,225	3.5%

Unitholders	Number of units held	Ownership ratio
6. NISSEI BUILD KOGYO CO., LTD.	9,190	2.6%
7. Daido Shinyo Kumiai	6,415	1.8%
8. Kinkisangyo Shinkumi Bank	6,226	1.8%
9. Osaka Shoko Shinkin Bank	5,487	1.6%
10. THE SAIKYO BANK, LTD.	4,950	1.4%
Total	143,497	40.8%

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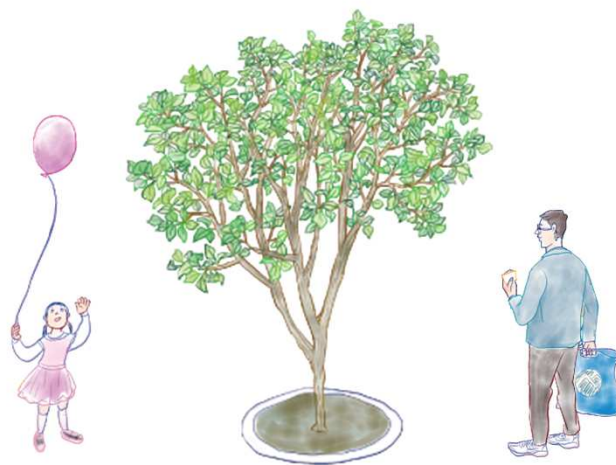
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IR	The Department of Finance and Control, ES-CON ASSET MANAGEMENT
Email	ir@esconam.jp
Phone	+81-3-6230-9338
Address	The Okura Prestige Tower 20F, 2-10-4, Toranomom, Minato-ku, Tokyo, 105-0001, Japan



ES CON JAPAN REIT

