

15th Financial Results

for the Fiscal Period Ended July 31, 2024



ES CON JAPAN REIT Investment Corporation

Securities Code: 2971

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

1 Financial Highlights	2	5 ESG Initiatives	21
• Financial Highlights	3	• Formulation of Materiality - Key Issues	22
• Asset replacement and third-party allotment in July 2024 FP	4-5	• Initiatives for Environment	23
2 Earnings Results	6	• Initiatives for Social	24
• Earnings Results vs. previous period	7	• Initiatives for Governance	25
• Earnings Results vs. forecasts	8	• Acquisition of certifications and Future initiatives	26
3 Earnings Forecasts	9	Appendix	27
• Earnings Forecasts, 16th - January 2025 FP	10	• Summary of acquired assets in July 2024 FP	28-30
• Earnings Forecasts, 17th - July 2025 FP	11	• Portfolio Map	31
• Factors of Change in Distribution per unit	12	• Portfolio Overview	32
4 Progress of our Roadmap and Future Tasks	13	• Factors for increase in NAV per unit	33
• Progress of our Roadmap (from FP7/23 to FP1/26)	14	• Balance Sheets	34
• Progress of our Roadmap and Future Tasks : Strengthen Governance system	15	• Statements of Income and Retained Earnings, Repair expenses, Capex and Depreciation	35
• Progress of our Roadmap and Future Tasks : External growth	16	• Income and Expenditure by Property	36
• “Lifestyle-focused assets” Developed by the Sponsor	17	• Appraisal Value	37
• Progress of our Roadmap and Future Tasks : Internal growth	18-19	• Tenant trends for July 2024 FP	38
• Progress of our Roadmap and Future Tasks : Financial strategy	20	• Contract Status with Tenants	39
		• Remaining Lease Term based on Portfolio	40
		• Unitholders	41
		• Unit Price Trend and Forecast Dividend Yield	42
		• Corporate Information	43
		• Notes	44-47
		• Disclaimer	48

1. Financial Highlights

Earnings result 15th Fiscal Period

Thanks to the reduction of expenses for various related transactions accompanying asset replacement and capital increases, as well as improved profitability of utility charges received and reductions in repair expenses, DPU was JPY 3,242, JPY 49 higher than the previous forecast (as of May 31, 2024)

- **Distributions per unit (DPU) JPY 3,242** *up JPY 49 from previous forecast*
- **Occupancy rate* 99.8%** *stable since listing*
- **NAV per unit JPY 130,381** *up 10.8%, a significant increase from the previous fiscal period*

DPU forecast 16th and 17th Fiscal Period

DPU forecast for the 16th FP is expected to be higher than the previous forecast, for the 17th FP is expected to increase significantly by approx. 10% compared to the previous period

- 16th FP (FY1/25) forecast : **DPU JPY 3,280** *up JPY 6 from previous forecast*
- 17th FP (FY7/25) forecast : **DPU JPY 3,600** *up JPY 320 from 16th FP forecast*

Implement growth strategy

During the 15th FP, initiatives for “2nd Phase” (Improvement of Portfolio and Growth Stage) were promoted

External growth strategies “Incorporate new asset types” and “Incorporate assets for solving social issues”

Internal growth strategies “Review portfolio and Consider the property replacement”

→ **Asset replacement (transfer of 3 properties and acquisition of 3 properties) through third-party allotment**

- Improvement of portfolio profitability, financial stability and flexibility through asset replacement
 - Unrealized profits and NOI after depreciation are increased due to asset replacement, increasing asset value and profitability.
 - LTV is decreased due to Third-Party Allotment, increasing financial stability and flexibility.
- Gaining a stronger commitment from Chubu Electric Power group
 - Rise in same boat stake will further align unitholders’ interests with those of Chubu Electric Power group
 - Gain a stronger commitment to ESCON REIT from Chuden Real Estate, a member of the Chubu Electric Power group, thereby leading to increased credit strength
- Increase in NAV per unit
 - Significant increase in unrealized gains on assets held by ESCON REIT, due to the increase in appraisal values resulting from asset replacements, higher rents at existing properties
 - The increase in unrealized gains outweighed the dilution factor from the third-party allotment, and the ESCON REIT reached its highest price since listing.

Summary of the Asset Replacement

- (1) Avoid the risk of adverse impact on ESCON REIT's financial condition and operating results pertaining to *Yoshizuya Y Store Nishiharu*, in which an impairment loss would have to be recorded in the future
- (2) Avoid risks such as adverse impact on cash flow due to the termination of the fixed-term land lease agreements for TSUTAYA Sakai-minami (leasehold land) at the end of January 2026
- (3) As a result of fair competitive bidding, the gains from the transfer of *LIFE Daisen Store (leasehold land)* and the adjacent *TSUTAYA Sakai-minami (leasehold land)*, which had unrealized profits, have been maximized, and the source of distributions were secured to fully offset the loss from the transfer of *Yoshizuya Y Store Nishiharu*
- (4) Successfully acquire assets that exceed the NOI of transferred assets being, thereby achieving portfolio improvement

Transferred assets

Yoshizuya Y Store
Nishiharu



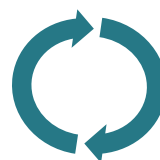
LIFE Daisen
(Leasehold land)



TSUTAYA Sakai-minami
(Leasehold land)



Total transfer price: JPY 8,300 mn



Acquired assets

tonarie Yamatotakada
(50% quasi co-ownership)
(additional acquisition)



Hasekura
Medical Building



Fab Minamiosawa



Total acquisition price: JPY 9,058 mn

Summary of Capital Increase through Third-Party Allotment

Increase in the number of investment units through the issue	8,700
Total number of investment units issued and outstanding after the issuance	360,667
Issue price	JPY 122,600 per unit (closing price on May 30, 2024)
Total issue price	JPY 1,066,620,000
Due date of payment	Tuesday, June 11, 2024
Allottee and number of units	8,700 units to Chuden Real Estate Co., Inc

- (i) Reliably procuring needed funds at a reasonable issue price that is unaffected by fluctuations in the price of investment units
- (ii) Avoiding a decrease in the issue price linked to the investment unit price during the book-building period by setting the issue price at the closing price on the business day preceding the date of the issue resolution
- (iii) Avoiding the significant costs arising from a public offering

Improvement of portfolio profitability, financial stability and flexibility through asset replacement

- (i) Unrealized profits and NOI after depreciation are increased due to asset replacement, increasing asset value and profitability.
- (ii) LTV is decreased due to Third-Party Allotment, increasing financial stability and flexibility.

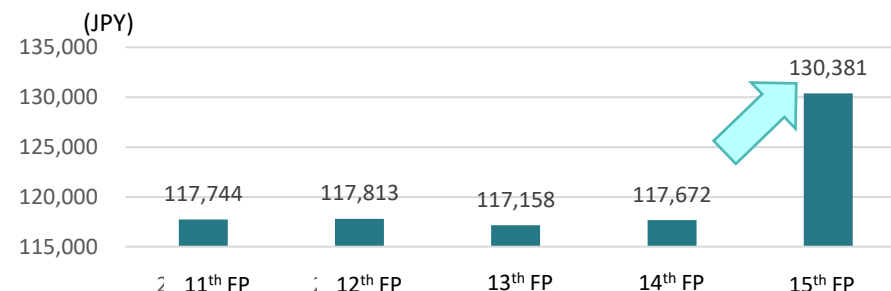
	Before Asset Replacement (as of Jan. 31, 2024)	After Asset Replacement (as of Jul. 31, 2024)
Asset under management (based on acquisition price*1)	JPY 69,604 mn	JPY 70,373 mn
Appraisal value*2	JPY 72,780 mn	JPY 78,250 mn
Appraisal NOI yield*3	4.8 %	5.0 %
Unrealized profit*4	JPY 3,309 mn	JPY 7,850 mn
NOI after depreciation (annual)*5	JPY 2,959 mn	JPY 3,142 mn
NAV per unit*6	JPY 117,672	JPY 130,381
LTV*7	43.8 %	43.1 %

Gaining a stronger commitment from Chubu Electric Power group

- (i) 8,700 units (2.4%) of investment units held by Chuden Real Estate after the Third-Party Allotment
 - 25,819 units (7.2%), including 17,119 units held by sponsor ES-CON JAPAN group
- (ii) Rise in same boat stake will further align unitholders' interests with those of Chubu Electric Power group
 - Gain a stronger commitment to ESCON REIT from Chuden Real Estate, a member of the Chubu Electric Power group, thereby leading to increased credit strength

Increase in NAV per unit

- (i) In addition to the effect of asset replacement, the increase in appraisal value due to factors such as rent increases for existing properties has led to a significant increase in unrealized profits on owned assets compared to the previous period
- (ii) The increase in unrealized profits on owned assets exceeded the dilution caused by the capital increase through third-party allotment, and the NAV Per Unit at the end of the 15th FP rose significantly to JPY 130,381 (up 10.8% from the previous period), reaching the highest level since listing



2. Earnings Results

Earnings Results vs. previous period

Operating income increased mainly due to gain or loss on sales of real estate properties resulting from asset replacement and gain on receipt of donated buildings, and improvement in NOI of properties accompanying asset replacement. Net income also increased mainly because the impact of the absence of refinancing costs at the end of the 14th FP exceeded the increase in interest expenses due to the rise in the base interest rate, resulting in DPU of JPY 3,242, up JPY 15 from the previous period.

15th - July 2024 Fiscal Period vs. previous period

(JPY million)

	14th Jan. 2024 FP Actual (a)	15th Jul. 2024 FP Actual (b)	vs. previous period (b-a)
Operating revenues	2,444	3,049	604
Operating income	1,274	1,312	37
Ordinary income	1,136	1,170	33
Net income	1,135	1,169	33
DPU	JPY 3,227	JPY 3,242	JPY 15
Depreciation	187	201	13
NOI after depreciation	1,496	1,513	16
NOI yield after depreciation	4.3%	4.3%	4bp ^{*1}
FFO ^{*2}	1,323	1,342	18
Number of operating days	184 days	182 days	-2 days

Main change factors vs. previous period

(JPY million)

Change factors		Changes of items	Total
Operating revenues	• Gain on sales of real estate properties due to asset replacement (Net of the following loss on sales of real estate properties)	+563.5 (+28.1)	+ 604.6
	• Increase in leasing business revenue due to asset replacement	+28.6	
	• Gain on receipt of donated buildings due to the acquisition without consideration accompanying the departure of the land lessee of the "Asumigaoka Brand-New Mall"	+6.9	
	• Increase in revenue from parking lot due to review of contract for parking lot at "tonarie Toga Mikita"	+2.7	
	• Increase in leasing business revenue from new tenants, etc.	+2.9	
Operating expenses	• Loss on sales of real estate properties due to asset replacement	-535.4	-566.8
	• Increase in leasing business expenses due to asset replacement	-13.9	
	• Increase in land property tax for existing properties	-4.5	
	• Increase in LM rewards, etc. for "Asumigaoka Brand-New Mall"	-3.0	
	• Increase in non-deductible consumption tax, etc.	-10.0	
Non-operating income/ expenses	• Increase in interest expenses due to rise in base interest rate (variable)	-20.2	-4.5
	• Absence of refinancing costs at the end of the 14th FP, etc.	+21.0	
	• Expenses related to capital increase	-5.3	
Total			+ 33.3

Thanks to the reduction of expenses for various related transactions accompanying asset replacement and capital increases, as well as improved profitability of utility charges received and reductions in repair expenses, DPU was JPY 3,242, JPY 49 higher than the previous forecast (as of May 31, 2024)

15th - July 2024 Fiscal Period vs. forecasts

(JPY million)

	15th Forecasts as of May. 31, 2024 (a)	15th Jul 2024 FP Actual (b)	vs. forecasts (b-a)
Operating revenues	3,068	3,049	-19
Operating income	1,296	1,312	15
Ordinary income	1,152	1,170	17
Net income	1,151	1,169	17
DPU	JPY 3,193	JPY 3,242	JPY 49
Depreciation	201	201	-0
NOI after depreciation	1,506	1,513	6
NOI yield after depreciation	4.3%	4.3%	2bp
FFO	1,327	1,342	14
Number of operating days	182 days	182 days	0 days

Main change factors vs. forecasts

(JPY million)

Change factors		Changes of items	Total
Operating revenues	• Upside of gain on sales of real estate properties due to asset replacement (Net of the following loss on sales of real estate properties)	+4.3 (+2.5)	-19.6
	• Downside of utility income	-20.2	
	• Increase or decrease in various leasing business revenues	-3.7	
Operating expenses	• Downside of utility expenses (Balance of utility charges (Net))	+24.7 (+4.4)	+28.8
	• Upside of loss on sales of real estate properties due to asset replacement	-1.7	
	• Reductions in repair expenses	+6.6	
	• Increase or decrease in various leasing business expenses	-0.8	
	• Downside of various expenses associated with asset replacement and capital increase	+6.7	+6.7
Non-operating income/ expenses	• Downside of expenses related to capital increase, etc.	+1.7	+1.7
Total			+17.7

3. Earnings Forecasts

DPU forecast: JPY 3,280, exceeding the previous period and the previous forecast
The latest forecast assumes an increase in interest expenses due to an increase in the assumed level of the base interest rate (variable), while at the same time, an improvement in NOI of properties due to factors such as the replacement of assets, an increase in lease revenue from tonarie Minami-senri, and a review of repair expenses.

16th - January 2025 Fiscal Period forecasts

(JPY million)

	15th Jul. 2024 FP Actual (a)	16th Forecasts as of May. 31, 2024 (b)	16th Forecasts as of Sep. 13, 2024 (c)	vs. previous period (c-a)	vs. previous forecasts (c-b)
Operating revenues	3,049	2,812	2,803	-245	-8
Operating income	1,312	1,346	1,376	63	29
Ordinary income	1,170	1,181	1,184	13	2
Net income	1,169	1,180	1,183	13	2
DPU	JPY 3,242	JPY 3,274	JPY 3,280	JPY 38	JPY 6
Depreciation	201	212	210	9	-1
NOI after depreciation	1,513	1,567	1,601	88	33
NOI yield after depreciation	4.3%	4.4%	4.5%	21bp	2bp
FFO	1,342	1,392	1,393	51	+0
Number of operating days	182 days	184 days	184 days	2 days	0 days

Main change factors vs. previous period

(JPY million)

Change factors		Changes of items	Total
Operating revenues	• Absence of gain on sales of real estate properties (Net of the following loss on sales of real estate properties)	-563.5 (-28.1)	-245.9
	• Increase in leasing business revenue due to asset replacement	+147.1	
	• Increase in lease revenue from tonarie Minami-senri, etc.	+106.0	
	• Increase in utility income from existing properties	+64.5	
Leasing business expenses	• Absence of loss on sales of real estate properties	+535.4	+306.2
	• Increase in leasing business expenses due to asset replacement	-87.8	
	• Increase in LM rewards for tonarie Minami-senri	-33.8	
	• Increase in repair expenses for existing properties	-31.2	
	• Increase in utility expenses for existing properties (Balance of utility charges (Net))	-72.4 (-7.9)	
Administrative expenses	• Increase or decrease in various leasing business expenses	-4.0	+3.1
	• Decrease in non-deductible consumption tax	+12.0	
Non-operating income/ expenses	• Increase or decrease in various expenses	-8.9	-49.6
	• Increase in interest expenses due to rise in base interest rate	-41.6	
	• Refinancing costs at the end of the 16th FP	-11.9	
		• Absence of expenses related to capital increase, etc.	+3.9
		Total	+13.8

Main change factors vs. initial forecasts

(JPY million)

Change factors		Changes of items	Total
Leasing business expenses	• Review of repair expenses	+36.2	+36.2
Non-operating income/ Expenses	• Increase in interest expenses due to rise in base interest rate	-27.0	-27.0
(Other)	• Increase or decrease in each income and expense item due to their refinement	-7.1	-7.1
		Total	+2.1

DPU forecast: JPY 3,600, up JPY 320 from the previous period forecast

Increase in lease revenue from tonarie Minami-senri will contribute to the full FP results and will greatly exceed the decrease in income due to the increase in interest expenses accompanying the rise in the assumed level of the base interest rate (variable) and the increase in various expenses such as repair expenses and management fees.

17th - July 2025 Fiscal Period forecasts

(JPY million)

	16th Forecasts as of Sep. 13, 2024 (a)	17th Forecasts as of Sep. 13, 2024 (b)	vs. previous period forecasts (b-a)
Operating revenues	2,803	3,005	201
Operating income	1,376	1,516	140
Ordinary income	1,184	1,299	115
Net income	1,183	1,298	115
DPU	JPY 3,280	JPY 3,600	JPY 320
Depreciation	210	216	6
NOI after depreciation	1,601	1,798	197
NOI yield after depreciation	4.5%	5.2%	63bp
FFO	1,393	1,515	121
Number of operating days	184 days	181 days	-3 days

Main change factors vs. previous period forecasts

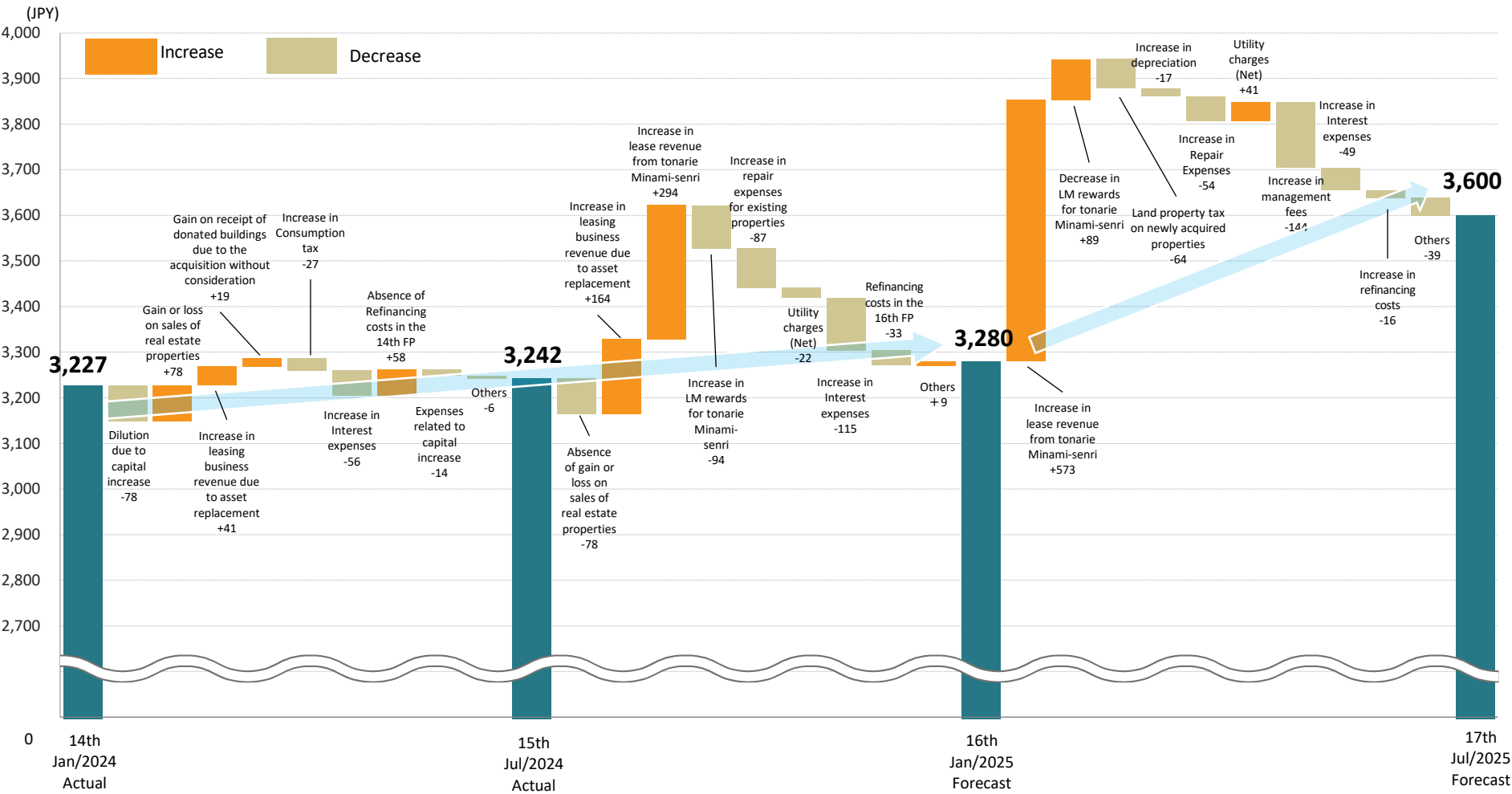
(JPY million)

Change factors		Changes of items	Total
Operating revenues	• Increase in leasing business revenue from tonarie Minami-senri (excluding utility income)	+206.7	+201.8
	• Decrease in utility income	-21.1	
	• Increase in various leasing business revenue from new tenants, etc.	+16.2	
Leasing business expenses	• Land property tax on newly acquired properties	-23.0	-4.7
	• Decrease in LM rewards for tonarie Minami-senri	+32.2	
	• Increase in depreciation	-6.3	
	• Increase in repair expenses	-19.6	
	• Decrease in utility expenses (Balance of utility charges (Net))	+36.0 (+14.9)	
	• Increase or decrease in various leasing business expenses	-24.0	
Administrative expenses	• Increase in management fees	-51.8	-56.1
	• Increase or decrease in various expenses	-4.3	
Non-operating income/ expenses	• Increase in interest expenses due to rise in base interest rate	-17.8	-25.6
	• Increase in refinancing costs	-5.9	
	• Increase or decrease in various expenses	-1.9	
		Total	+115.2

16th (Jan. 2025) FP: Distributions are expected to continue to increase due to the improvement in property NOI resulting from the effect of asset replacement and the increase in lease revenue from tonarie Minami-senri, etc.

17th (Jul. 2025) FP: Distribution is expected to increase significantly by approx. 10% compared to the previous period, as the increase in lease revenue from tonarie Minami-senri will contribute for the full FP.

Main change factors of distribution per unit



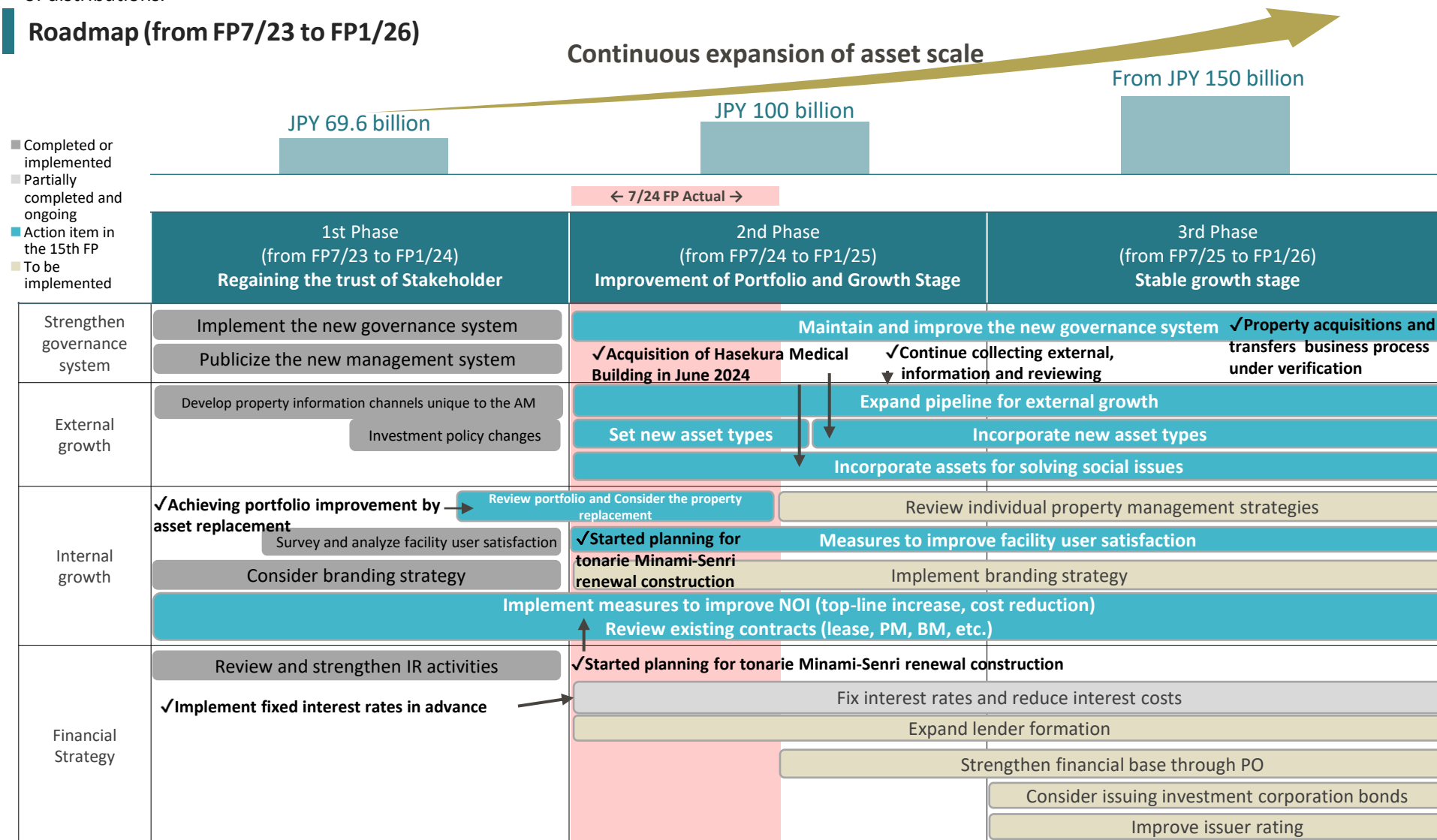
4. Progress of our Roadmap and Future Tasks

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



Progress

Roadmap: Publicize the new management system

● Business improvement initiatives and lifting of the administrative disposition

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, due to the implementation of the following initiatives under the guidance of the supervisory authorities and with the support of ES-CON JAPAN and Chubu Electric Power.

Initiatives	Implementation period
Transition to a company with Audit and Supervisory Committee	June 2022
Establishment of “Compliance Declaration” and “Management Philosophy”	From August 2022 to September 2022
Change in decision-making process for property acquisitions and transfer	September 2022
Changes to the ordering work rules of real estate appraisal services	October 2022
Changes in the composition of the Board of Directors (including acceptance of dispatched director from Chubu Electric Power)	From June 2022 to January 2023

● New Execution Structure

Roadmap: Implement the new governance system
Maintain and improve the new governance system

ESCON REIT made a resolution at 7th General Meeting of Unitholders held on October 27, 2023 to change executive director. This made ESCON REIT have a Board of Directors composed of one executive director and two supervisory directors not affiliated with the ES-CON Group.

Title	Name
Executive Director	Tadashi Ebihara (Assumed in October 2023)
Supervisory Director	Satoshi Ugajin (Assumed in August 2016)
Supervisory Director	Rin Moriguchi (Assumed in October 2021)

Future initiatives

Roadmap: Maintain and improve the new governance system

● Verification of property acquisitions and transfers business process

Under the new governance structure, in June 2024, three properties were acquired, and three properties were transferred (including interested party transactions). The processes for the acquisitions and transfers are currently being verified.

(1) March: Begin real-time monitoring of transactions by internal audit



(2) May: Prepare for verification of business processes by external experts



(3) June: Selling and acquiring properties in accordance with the Interested Party Transaction Rules



(4) July: Internal review of transactions within the Asset Manager



(5) July: Started verification of business processes by outside experts

- (i) Depending on the results of the verification, the Asset Manager plans to consider improvements and revisions to business processes and various regulations
- (ii) Plans to build a structure for the next phase of external growth, including expansion of the workforce

Progress and Future initiatives

Investment policy changes, Incorporate new asset types

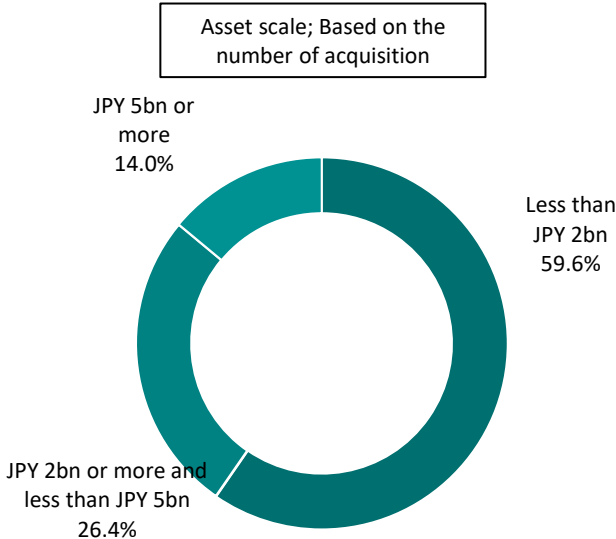
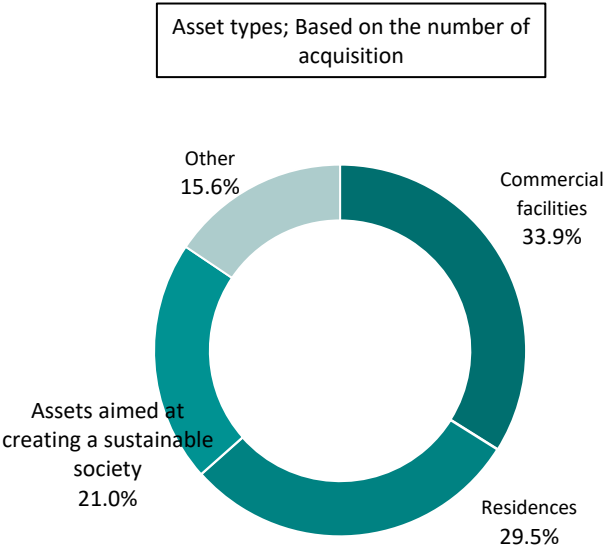
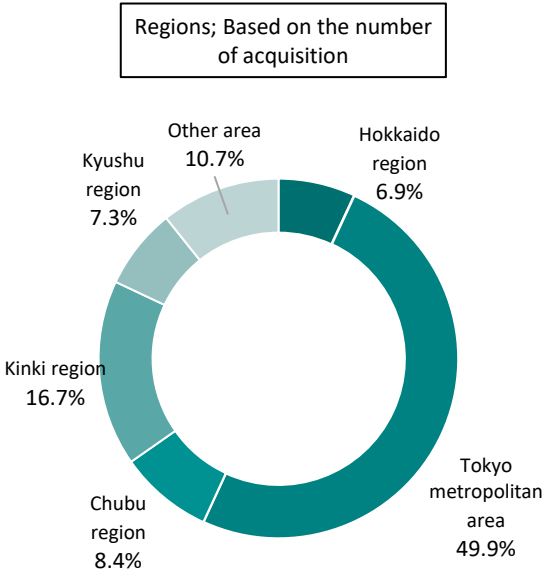
Roadmap: Investment policy changes, Incorporate assets for solving social issues
Set new asset types, Incorporate new asset types

- Changed the investment policy on Oct. 27, 2023 to acquire properties of diverse asset types; Started collecting information on residences and assets aimed at creating a sustainable society in addition to commercial facilities.
⇒ ESCON REIT acquired Hasekura Medical Building in June 2024 as a new asset type “assets aimed at creating a sustainable society”

Acquisition of property information from various channels

Roadmap: Develop property information channels unique to the AM, Expand pipeline for external growth

- Establish Investment Marketing Department as of June 14, 2023, and start collecting information on external projects and sourcing them through the proprietary network of the Asset Manager.
⇒ Acquire external projects through direct channels from sellers without using intermediary companies.
- Number of information collected from FP7/23 to FP7/24: Total 867 (See graph below) (in which: direct referrals from sellers: 12.5%, proprietary routes/networks: 18% and other major real Estate brokers. Total asking price; approximately JPY 2.4814 trillion)
⇒ 113 for detailed consideration (Total asking price; approximately JPY 406.7 billion)



Examples of ES-CON JAPAN's Development Projects

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

- Expand business area to 6 regions in Japan with the opening of Okinawa Branch in April 2024, following Osaka, Tokyo, Kyushu, Nagoya, and Hokkaido
- Promotes facility development supporting daily life, such as the operating of **tonarie**, a community-based commercial facility with 10 locations nationwide, and the development of **tonarie medical**, a community-based clinic mall
- Actively promotes community building, including a development project (senior housing, hotels, etc.) as part of Hokkaido Ballpark F Village in Kitahiroshima-shi, Hokkaido, the Kitahiroshima Station West Gate Area Revitalization Project (residence, commercial facilities, etc.) , participation in a complex development project **SAKURA MIRAI SHIN ŌMURA** in Omura-shi, Nagasaki, and the opening of community building project **TSUNAGU GARDEN Senri-fujishirodai** in Suita-shi, Osaka, etc.

Urban development and mixed-use development projects



Kitahiroshima Station West Gate Area Revitalization Project (Hokkaido)

Scheduled to open “*tonarie Kitahiroshima*” commercial facility in the spring of 2025, and to complete construction of “*Le Jades Hokkaido Kitahiroshima*” condominiums in September 2026.



TSUNAGU GARDEN Senri-fujishirodai (Osaka)

Joint development with Chuden Real Estate. Condominiums, detached houses, commercial facilities, clinic malls, licensed nursery schools and parks, etc.

Rental residence "TOPAZ"



TOPAZ Hon-Atsugi (Kanagawa)
120 units

Medical facility



tonarie medical Himeji Yumesakigawa (Hyogo)
Medical and nursing care area, with hospital

Lifestyle-focused commercial facilities “tonarie”



tonarie Hoshida (Osaka)
Supermarket and medical mall

Senior housing



Masters Varus Hokkaido Ballpark (Hokkaido)
Medical mall attached

Progress

● Portfolio improvement by asset replacement

- ESCON REIT transferred three properties in FP 7/24, including a property that posed a risk of adverse impact on ESCON REIT's financial condition and operating results. In combination, ESCON REIT succeeded in acquiring assets that exceeded the NOI of the transferred assets, thereby improving its portfolio (details on p. 5)

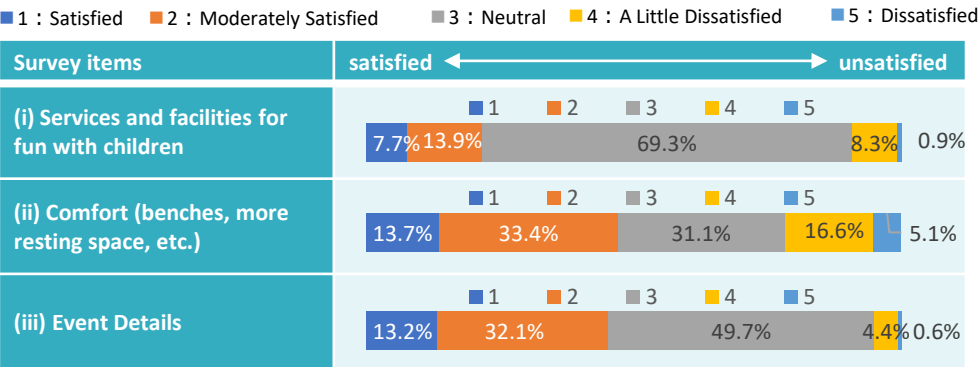
Roadmap: Review portfolio and Consider the property replacement

● Conducted satisfaction survey of facility user

- Facility user satisfaction survey was conducted at two properties: tonarie Minami-senri and Asumigaoka Brand-New Mall.
- Tenant satisfaction survey was also conducted at seven properties: Asumigaoka Brand-New Mall, Nishi-shiroi Ekimae Plaza, tonarie Minami-senri, tonarie Seiwadai, tonarie Yamtotakada, tonarie Toga Mikita, and SUROY MALL Nagamine.
- The survey results showed that overall satisfaction with the facilities was high, but issues with tangible and intangible aspects were recognized. Measures to solve these issues are being considered.

Roadmap: Survey and analyze facility user satisfaction

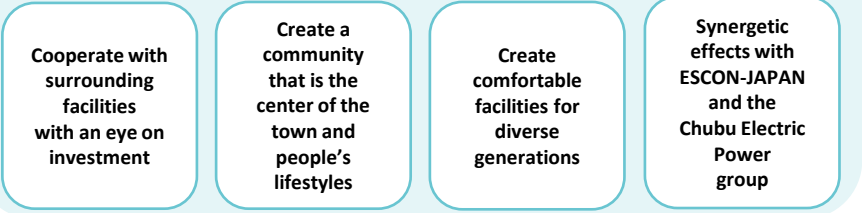
Examples of key areas for improvement identified in the survey (tonarie Minami-senri)



● Consider branding strategy

Roadmap: Consider branding strategy

Aim to create an attractive town and realize people's affluent lifestyles by creating and revitalizing local communities centered on properties owned by ESCON REIT



● Initiatives to increase rents and sales

Roadmap: Implement measures to improve NOI

- Promote rents increases through negotiations at the time of re-contracting and tenant replacement.
- Promote an increase in overall facility sales through initiatives such as tenant replacement, facility equipment renewal, and the active holding of events.

Percentages of increase in rents and sales of owned assets*1 (comparison of sales and rents for the first year*2 after acquisition of each asset and sales and rents for the most recent year (August 2023 to July 2024) for each asset)

Examples of assets with increased rents and sales	Percentages of increase in rents of each overall facility	Percentages of increase in sales of each overall facility
Asumigaoka Brand-New Mall	5.5%	4.6%
tonarie Minami-senri	3.2%	4.5%
tonarie Yamatotakada	28.5%	7.2%
tonarie Toga・Mikita	18.7%	0.3%
SUROY MALL Nagamine	24.0%	5.7%

Future initiatives

Roadmap: Measures to improve facility user satisfaction

Renovation work at tonarie Minami-senri

- Renovation work will begin based on satisfaction survey of tenants and facility user, and is scheduled to be completed by March 2025
 - Expand target customers to include **the child-rearing generation** (renovation of restrooms, new baby care room construction, etc.)
 - Aim for **a comfortable and secure facility that is easy to stop by** (Renovation of courtyard and event space, installation of rest area, etc.)
 - Branding as the face of the town** (increase events in collaboration with the community, exterior construction, etc.)



Exterior Paint Image Perspective*1



Baby care room Image Perspective*1



Image perspective of 2nd floor rest space*1

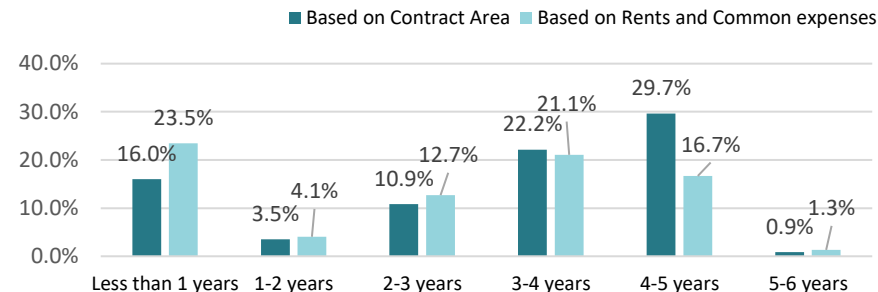
	Forecast
Construction cost (capex)	JPY 290mn
Assumed ROI*2	191%

→Expect to recover invested funds in approximately six months

Future tenant contract renewals and expected rent increases

Roadmap: Implement measures to improve NOI

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



- Contract renewals schedule for each assets

	16th (Jan. 2025)	17th (Jul. 2025)	18th (Jan. 2025)
tonarie Minami-senri	38	3	0
tonarie Seiwadai	7	3	3
tonarie Yamatotokada	26	0	1
Other four assets*3	10	14	7

- Status of Rent Increases Fixed in the 16th FP (as of Aug 23, 2024)

	Number of tenants with rent increases	Increase in monthly rents	Increase
tonarie Minami-senri	28	JPY 53,512 thousand	167.1%
tonarie Seiwadai	6	JPY 2,020 thousand	10.3%
tonarie Yamatotakada	22	JPY 457 thousand	1.2%

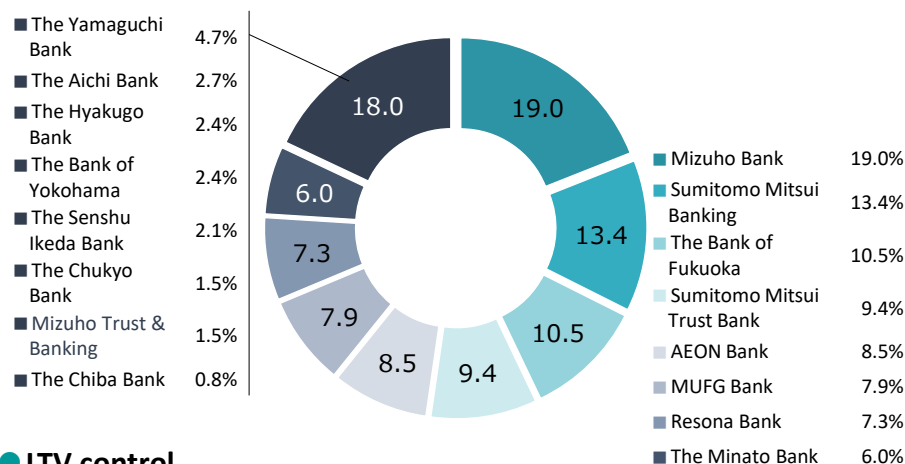
→Leasing business revenues in the overall portfolio for the full FP are expected to increase by 13.5% compared to the 15th FP results.

Progress

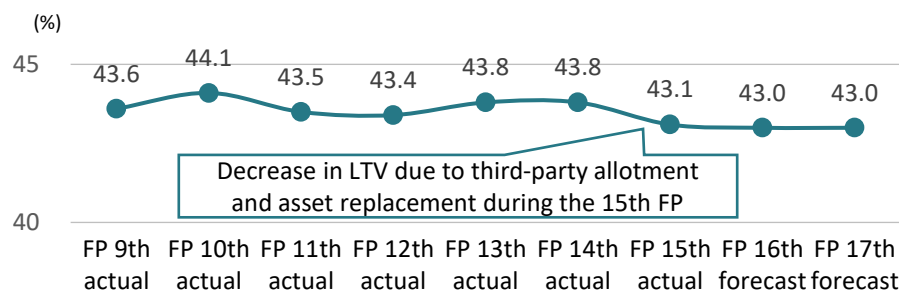
Financial highlights (as of July 31, 2024)

Total interest-bearing debt	JPY 33.09bn	Average remaining term	2.2years
Average Interest Rate	0.62%	Ratio of long-term borrowings	100.0%

Lender status



LTV control



Actions for investors and lenders

Roadmap: Review and strengthen IR activities

- The capital increase through third-party allotment to Chuden Real Estate was implemented to actively appeal for further stabilization of the financial base through a decrease in LTV, etc., and for improvement of credibility through the obtaining of a stronger commitment from the Chubu Electric Power group
- In order to expand lender formation, actively contact new potential lenders and focus on expanding the procurement base

Actions to fix interest rates on borrowings

Roadmap: Fix interest rates

- At the time of refinancing at the end of January 2024, the ESCON REIT fixed the interest rate for the first time by using interest rate swaps for a borrowing of JPY 1,876 million with a term of 5 years

Future policies

Roadmap: Fix interest rates and reduce interest costs
Expand lender formation

Environmental Awareness























- The stance toward lending to ESCON REIT among lenders has returned to its prior state and is favorable
- After the 0.25% increase in the policy interest rate, as stock prices have shown some instability, it is thought that there will be no sudden rise in interest rates, but that a gradual rise in interest rates in line with economic trends will continue. As such, ESCON REIT pays close attention to the overall situation in terms of commodity prices, exchange rates, geopolitical risks, and more

Maintaining financial stability while controlling interest costs

- The new 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

5. ESG Initiatives

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"> Analysis of current status and consideration of improvement measures through energy audit Implement improvements appropriate to each assets 	  
	<ul style="list-style-type: none"> Acquire external certifications 	<ul style="list-style-type: none"> Strive to reduce environmental impact by obtaining environmental certifications and evaluations 	<ul style="list-style-type: none"> Continue efforts for GRESB certification Continue efforts to achieve DBJ Green Building Certification 	  
	<ul style="list-style-type: none"> Take environmental issues into consideration through collaboration with tenants 	<ul style="list-style-type: none"> Aim to introduce green lease clauses in cooperation with tenants 	<ul style="list-style-type: none"> Introduce green lease clauses in new lease agreements (re-contract) 	  
<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 Social contribution activities in cooperation with local governments 	 
	<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 Conduct tenant satisfaction surveys and facility user satisfaction surveys 	  
	<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"> Enhanced leave and vacation system Create a work environment that emphasizes work-life balance 	  
<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"> Identification of issues and consideration of measures to maintain and improve the new governance structure 	 
	<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 	  

Environment

Take environmental issues into consideration through collaboration with tenants

The introduction of green lease clauses*1

Since approximately 91.4% of annual greenhouse gas emissions from properties owned by ESCON REIT come from tenants*2, ESCON REIT believes it is necessary to reduce emissions in cooperation with tenants and promote the introduction of green lease clauses in lease agreements with tenants. As of Jul. 31, 2024, ESCON REIT has concluded agreements containing green lease clauses with 48 tenants.

Reduce environmental impact

Analysis of GHG emissions and measures for reduction

ESCON REIT believes that addressing climate change is one of the most important social issues, and in order to actively promote the reduction of environmental impact and contribute to environmental sustainability through mid- to long-term reduction of GHG emissions in the assets it owns, ESCON REIT has analyzed GHG emissions and plans to set GHG emissions reduction targets in the future. ESCON REIT will share GHG emission reduction targets with tenants at each of its properties and encourage them to reduce their GHG emissions.

GHG emissions from assets held by ESCON REIT*3(excluding tenant emissions)

	2022	2023
GHG emissions(t-CO ₂)*4	2,691.29	2,561.79
Intensity (t-CO ₂ /m ²)*5	0.0135	0.0128

Initiatives for saving energy at Asumigaoka Brand-New Mall

Having had the Energy Conservation Center, Japan analyze energy usage at the mall, ESCON REIT received an analysis and evaluation of its current status from the perspective of optimal energy use and proposals for 10 effective improvement measures for cost reductions and CO₂ emissions reduction.

Started implementing one measure during the 15th FP (switching backyard fluorescent lighting to LED lights). One measure will be implemented in the 16th FP, and three measures will be implemented in the 17th FP.

The state of annual energy usage, Reduction potential

	Current state	Amount of reduction	Rate of reduction
CO ₂ emissions (t-CO ₂)	2,496	416.3	16.7%
Utility charges (JPY thousand)*6	161,886	25,799*7	15.9%
including electricity charges (JPY thousand)	141,081	24,982	17.7%

Estimated annual effect of switching from fluorescent lighting to LED lighting in the back yard

	Current state	Amount of reduction	Rate of reduction
Electricity consumption (kwh)	65,318	45,569	69.8%
Electricity charges (JPY)*8	1,610,099	1,123,271	69.8%

Considering installation of solar panels at Asumigaoka Brand-New Mall

Proposals have been received from several energy trading companies and others for the installation of solar panels utilizing the ground-level parking spaces. ESCON REIT is considering putting the proposals into practice.

Social

Coexist and cooperate with the local community

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

● Coexist and cooperate with the local community



Hitoyasumi Cafe (tonarie Seiwadai)

An event held by tonarie Seiwadai in collaboration with the Community General Support Center*1, the Seiwadai Community Council*2, etc. It provides a place where local people can come together in a cafe, spreads information about health-related topics such as dementia prevention, and sets up consultation sessions by the Community General Support Center, etc.



Certified as dementia-friendly shopping center

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



Participation in the "Child-raising Support Passport Project" (tonarie 4 facilities*3)

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

Improve safety and comfort for facility user and tenants

● Initiatives to Improve Safety and Comfort

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

Create a comfortable work environment

● Initiatives to improve the workplace environment for employees

Promoting Diverse Work Styles

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

Health management

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

Employee Engagement Survey

- Consideration of improvement measures based on the survey

● Status of employees*4

Number of qualified employees

ARES Certified Master	8 employees
Real Estate Transaction Agent	16 employees
Real Estate Appraiser	1 employee
Real Estate Consulting Master	2 employee

Years of experience in real estate securitization business

Less than 3 year	8 employees
From 3 to less than 10 years	7 employees
10 years or more	6 employees

Diversity

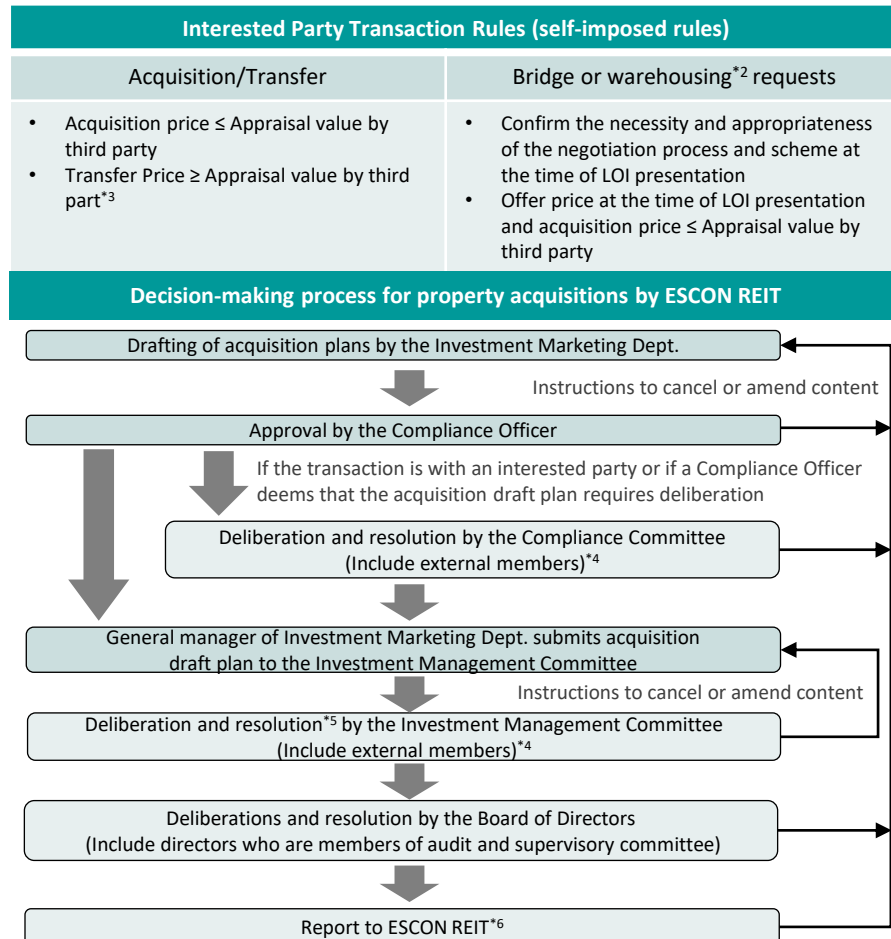
- Percentage of female executives and employees: 32.0%

G overnance

Further strengthening of Governance of the Asset Manager

● Measures against conflict of interest

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



Status of Conferences of the ESCON REIT and the Asset Manager

● Board of Directors of the ESCON REIT*⁷ (15th FP)

Title	Name	Attendance rate/Number of times held
Executive Director	Tadashi Ebihara	100%/8
Supervisory Director	Satoshi Ugajin	100%/8
Supervisory Director	Rin Moriguchi	100%/8

● Conferences of Asset Manager (15th FP)

Conferences	Number of directors and members	Attendance rate/Number of times held
Board of Directors* ⁸	6	98%/9
Audit and Supervisory Committee	3	100%/7
Compliance Committee* ⁹	4* ⁴	100%/5
Investment Management Committee* ¹⁰	6 + Compliance Officer* ⁴	100%/7

Status of Training Programs

● Status of Training Programs (15th FP)

Item	Number of times held	Event theme
Training organized by the Asset Manager	2 times	<ul style="list-style-type: none"> • Training related to the business improvement plan • Conflict of interest transaction regulations and the scope of interested parties
ES-CON JAPAN Group common training	5 times	<ul style="list-style-type: none"> • Human rights • Harassment prevention for managers • Insider trading prevention • Information security rules • General compliance, harassment prevention

Acquisition of certifications




GRESB*1 Real Estate Assessment



In the 2023 GRESB Real Estate Assessment, ESCON REIT received a “1 Star” 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 tonarie Minami-senri and tonarie Seiwadai, ESCON REIT has obtained in February 2024 (Initial certification was obtained in February 2021) for the second time. In addition, for Asumigaoka Brand-New Mall, it also obtained in July 2024 (Initial certification was obtained in July 2021) 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	2023 	February 2, 2024
tonarie Seiwadai	2023 	February 2, 2024
Asumigaoka Brand-New Mall	2024 	July 9, 2024

Future initiatives

Environment

- Analyze the current situation at each facility, identify issues, and consider specific measures for improvement

Social

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

Governance

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

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

Appendix

tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)

Commercial facilities

Kinki region

- A community-based commercial facility developed by ES-CON JAPAN in 2018
- Making the asset, in which 50% of quasi co-ownership was already acquired from ES-CON JAPAN in February 2020, wholly owned through this acquisition by utilizing Chuden Real Estate's warehousing function
- Under the concept of “a multi-level park connected to the community,” the facility features wide terrace decks on several floors.

Acquisition price
JPY **4,058** million

Appraisal value*1
JPY **8,150** million

Appraisal NOI
yields*2
4.8%

Seller
Chuden Real Estate Co., Inc.



Type of specified assets	Trust beneficiary rights to real estate
Location	Yamatotakada-shi, Nara
Site area	17,740.17 m ²
Total floor area	Commercial building: 19,609.54 m ² Parking building: 11,297.07 m ²
Completion date	October 2018
Tenants	66
Structure/number of floors	Commercial building: Steel frame, alloyed sheet steel roof, 3 floors Parking building: Steel frame with flat roof, 4 floors
Information source	Sponsor
Appraiser	JLL Morii Valuation & Advisory K.K.

Location advantages

- The city of Yamatotakada has the highest population density in Nara Prefecture. Slightly higher for the 20-29 age group in this 3-km commercial area and higher for the 45-59 age group in the 1-km and 2-km commercial areas, compared with the prefectural average.*3
- Directly connected to Yamato-Takada Station on the Kintetsu Osaka Line (13,796 passengers enter and exit per day as of November 8, 2022) via a pedestrian walkway, about a 3-minute walk from Takada Station on the JR Wakayama Line, with a highly competitive location as a commercial facility. A major road (Prefectural Route 5) passes north-south through the commercial area on the west side of the facility, close to an east-west arterial road, and a parking lot with a total capacity of 539 vehicles, allowing the facility to be easily accessed by car.

Tenant features

- LIFE, the core supermarket, offers a competitive assortment of fresh meat, fish, produce and delicatessen items, with a solid selection of mostly best-sellers and regular items in the grocery and other sections. Bargain items are available throughout the store and the four original brands, including Smile Life, have certain price appeal.
- In addition to the food supermarket, the facility features several well-known category killers (Akachan Honpo, Mos Burger, Matsumotokiyoshi, Daiso, etc.), and low-priced everyday clothing stores are concentrated in the fashion category. In the service category, in addition to a clinic mall and other lifestyle tenants, English language schools and other cultural tenants, as well as a gym and other health-related tenants meet the diverse needs of the surrounding community.

Hasekura Medical Building

Assets aimed at creating a sustainable society

Other area

- ESCON REIT's first acquisition of “assets aimed at creating a sustainable society”
- First investment in Sendai City, the “City of Trees,” a core city in the Tohoku region



Acquisition price
JPY **1,400**
million

Appraisal value
JPY **1,480**
million

Appraisal NOI
yields
4.8%

Seller
**LLC QOL-
Bridge 2**

Type of specified assets	Trust beneficiary rights to real estate
Location	Aoba-ku, Sendai-shi, Miyagi
Site area	922.12 m ²
Total floor area	2,826.03 m ²
Completion date	March 2013
Tenants	6
Structure/number of floors	Steel frame with flat roof, 6 floors
Information source	Information directly from the seller
Appraiser	Japan Real Estate Institute

Location advantages

- Located along Nishi Koen Dori, a 12-minute walk from Kotodai-koen Station on the Sendai City Subway Namboku Line and a 1-minute walk from Shimin Kaikan Mae bus stop, with easy access by public transportation and car.
- A nighttime population of 12,000 in the primary medical care area* and 31,000 in the secondary medical care area* meets the criteria for a suitable location for a medical mall (i.e.10,000 or more and 30,000 or more in the primary and secondary medical care areas, respectively), with an expectation of reasonable demand.
- The age group within the medical care area is characterized by relatively young singles and families in their 20s to 40s, and the tenant mix of the subject facilities matches the demographics of the residents in the surrounding area.
- Tohoku University Hospital and Sendai Kosei Hospital within the medical care area, where tenants' needs are met by the independent practice of doctors at these hospitals, and where synergy effects can be achieved through medical cooperation, etc.
- Facing a relatively wide road, excellent accessibility and visibility to the facility

Tenant features

- The current tenant mix includes dispensing pharmacy, day care center, obstetrics and gynecology, dentistry, and pediatrics
- The size and specifications of each floor are standard for a medical mall, which can attract tenants with a broad range of medical specialties. The specifications can also meet the needs of mid-sized clinic tenants, adding versatility to the property.

fab Minamiosawa

Commercial
facilities

Tokyo
metropolitan

- ESCON REIT's first commercial facility in front of a train station in Tokyo
- Acquisition at purchase price, approx. 20% below the appraisal value
- Has further potential to attract customers along with the extension of the Tama Monorail, redevelopment projects in the surrounding area, and other plans

Acquisition price
JPY **3,600** million

Appraisal value
JPY **4,320** million

Appraisal NOI yields
5.0%

Seller
**Domestic
corporation
(Not Disclosed)*1**



Type of specified assets	Trust beneficiary rights to real estate
Location	Hachioji-shi, Tokyo
Site area	2,727.54㎡
Total floor area	9,140.30㎡
Completion date	December 2001
Tenants	12
Structure/number of floors	Steel frame with flat roof, 7 floors
Information source	Major brokerage firm*2
Appraiser	Daiwa Real Estate Appraisal Co.,Ltd.

Location advantages

- The pedestrian deck connects the 3rd floor with the ticket gate level of Minami-Osawa Station on the Keio Sagami-hara Line, providing a high level of convenience for users of the station and surrounding facilities.
- Approx. 53,000 passengers enter and exit the Minami-Osawa Station per day (FY2022). The Minami-Osawa Campus of Tokyo Metropolitan University is located on the north side of the property, giving the property a college town character.
- Hachioji City, home to the property, designated as Tokyo's first core city in April 2015, is the largest city in the Tama area, with the largest population of any municipality in Tokyo. The commercial area within 5 km of the core city has a population of 470,000 in 2022 statistics, an increase of 101.3% from 2015. Residential areas, mainly single-family homes, are spread throughout the surrounding area, with many family households.
- The station area is also accessible by car, with well-maintained roads such as Tama Newtown Road. The facility has potential to attract more visitors from distant areas in the future, along with the development of Minami Tama Ridge Trunk Road, extension of the Tama Monorail to Hachioji, including Minami Osawa Station, and other plans.
- Mitsui Outlet Park Tama Minami-Osawa will continue to exist after partial reconstruction and is expected to continue to attract customers to the Minami-Osawa Station area.

Tenant features

- The facility consists of a cinema complex "TOHO CINEMAS Minami Osawa" as a key tenant, with other tenants including restaurants, services, and amusement facilities.
- The cinema complex has been able to maintain relatively strong sales due to the strength of Japanese films in Japan, except during the COVID-19 pandemic.

Portfolio Map

	Property name	Area	Location	Asset type	Tenants	Occupancy Rate (%)
1	YAMADA DENKI Tecc Land Sapporo Shiroishi	Hokkaido	Sapporo-shi, Hokkaido	Leasehold land	1	100.0
2	Asumigaoka Brand-New Mall	Tokyo metropolitan	Chiba-shi, Chiba	Land and Building	30	99.7
3	Nishi-shiroi Ekimae Plaza	Tokyo metropolitan	Shiroi-shi, Chiba	Leasehold land	1	100.0
4	fab Minamiosawa	Tokyo metropolitan	Hachioji-shi, Tokyo	Land and Building	4	100.0
5	K's Denki Oyumino	Tokyo metropolitan	Tsuchiura-shi, Ibaraki	Leasehold land	12	92.5
6	Nitori Tsuchiura	Tokyo metropolitan	Nikko-shi, Tochigi	Leasehold land	1	100.0
7	Nitori Imaichi	Tokyo metropolitan	Nabari-shi, Mie	Leasehold land	1	100.0
8	MaxValu Kikyogaoka-higashi	Chubu	Suita-shi, Osaka	Leasehold land	45	99.6
9	tonarie Minami-senri	Kinki	Kawanishi-shi, Hyogo	Land and Building	31	99.1
10	tonarie Seiwadai	Kinki	Yamatotakada-shi, Nara	Land and Building	66	100.0
11	tonarie Yamatotakada	Kinki	Sakai-shi, Osaka	Land and Building	31	100.0
12	tonarie Toga・Mikita	Kinki	Osaka-shi, Osaka	Leasehold land	1	100.0
13	LAMU Kitatsumori	Kinki	Kobe-shi, Hyogo	Leasehold land	1	100.0
14	K's Denki Nishikobe	Kinki	Kobe-shi, Hyogo	Leasehold land	1	100.0
15	Sanyo Marunaka Mitani	Kinki	Omihachiman-shi, Shiga	Leasehold land	2	100.0
16	TRIAL Omihachiman	Kinki	Ikoma-gun, Nara	Leasehold land	1	100.0
17	Kusuri no Aoki Ikaruga	Kinki	Muko-shi, Kyoto	Leasehold land	1	100.0
18	DRUG Yutaka Mukokamiueno	Kinki	Amagasaki-shi, Hyogo	Leasehold land	1	100.0
19	WELCIA Amagasaki Mukomotomachi	Kinki	Neyagawa-shi, Osaka	Leasehold land	1	100.0
20	Cocokara Fine Neyagawakoen	Kinki	Kobe-shi, Hyogo	Leasehold land	1	100.0
21	ENEOS Ikawadani SS	Kinki	Hikone-shi, Shiga	Leasehold land	24	100.0
22	GEO Hikone Takamiya	Kyushu	Kumamoto-shi, Kumamoto	Land and Building	11	100.0
23	SUROY MALL Nagamine	Kyushu	Kasuga-shi, Fukuoka	Land and Building	1	100.0
24	Fukuoka Kasuga Project	Other area	Hatsukaichi-shi, Hiroshima	Leasehold land	1	100.0
25	Fuji Grand Natalie	Other area	Kurashiki-shi, Okayama	Leasehold land	6	100.0
26	K's Denki Kurashiki	Other area	Sendai-shi, Miyagi	Land and Building	279	99.8
27	Hasekura Medical Building					
Total						

1. YAMADA DENKI Tecc Land Sapporo Shiroishi



2. Asumigaoka Brand-New Mall



3. Nishi-shiroi Ekimae Plaza



4. fab Minamiosawa



5. K's Denki Oyumino



6. Nitori Tsuchiura



7. Nitori Imaichi



8. MaxValu Kikyogaoka-higashi



9. tonarie Minami-senri



10. tonarie Seiwadai



11. tonarie Yamatotakada



12. tonarie Toga・Mikita



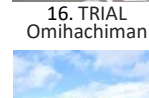
13. LAMU Kitatsumori



14. K's Denki Nishikobe



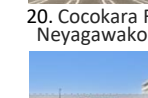
15. Sanyo Marunaka Mitani



17. Kusuri no Aoki Ikaruga



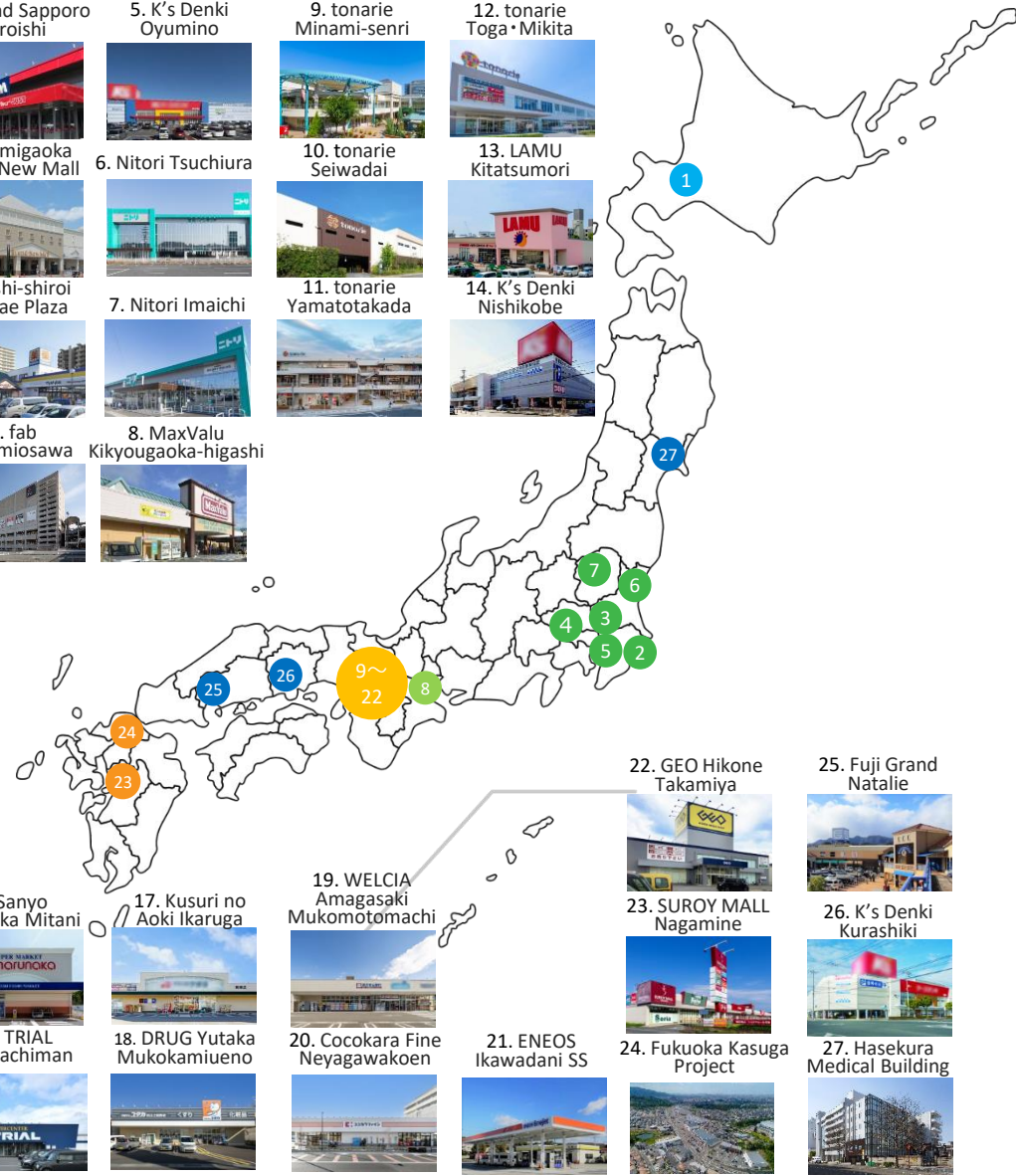
19. WELCIA Amagasaki Mukomotomachi



22. GEO Hikone Takamiya

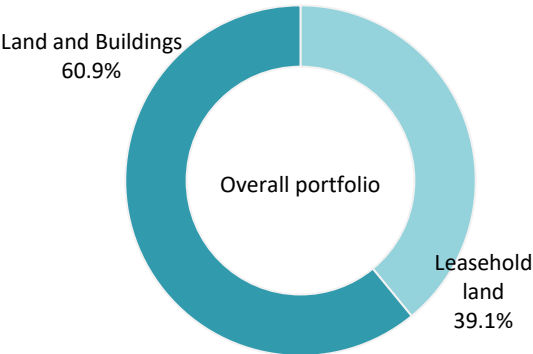


25. Fuji Grand Natalie

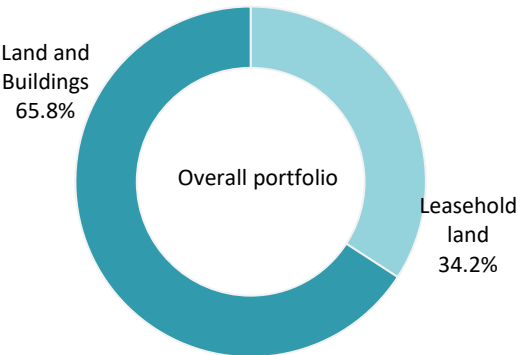


“Land and buildings” and “Leasehold land”

Based on acquisition price

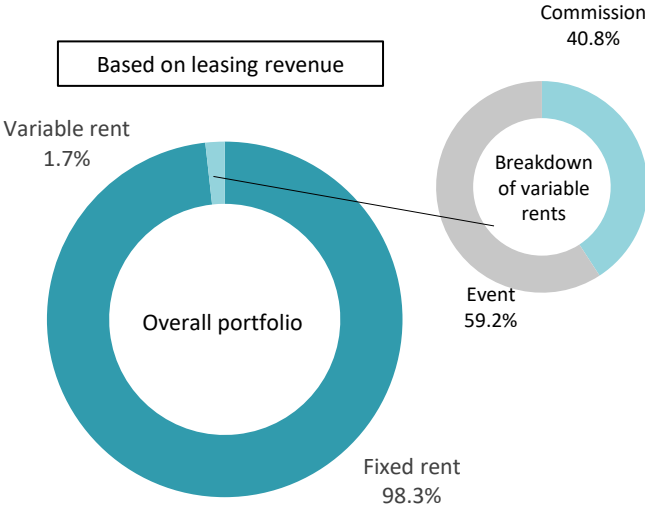


Based on NOI after depreciation



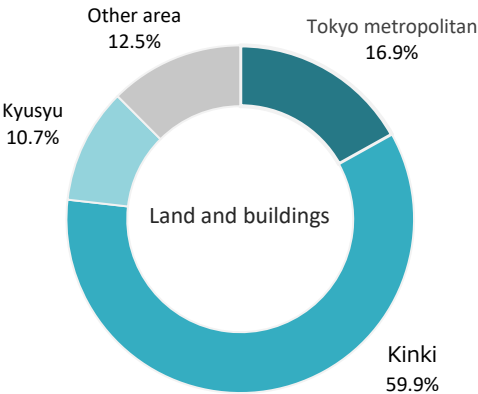
Fixed and variable rents

Based on leasing revenue

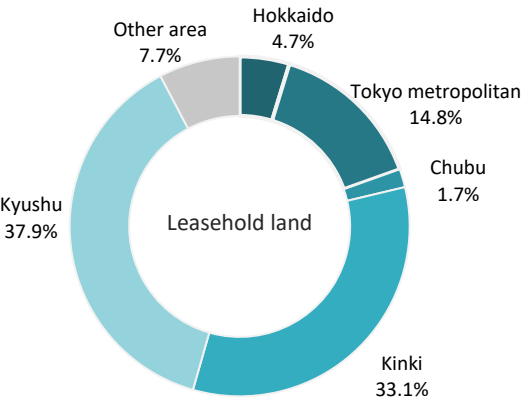


Regions

Based on acquisition price

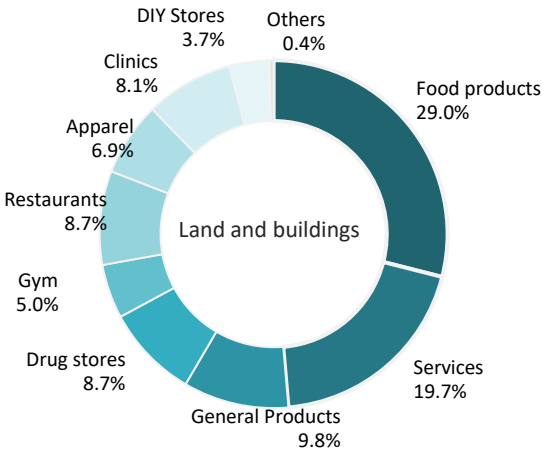


Based on acquisition price



Tenants

Based on contract rent + common charges



Factors for increase in NAV per unit

Breakdown of NAV per unit

(JPY thousand)

	As of January 31, 2024 Actual	As of July 31, 2024 Actual	Increase or decrease
(i) Net assets	39,243,276	40,343,275	1,099,999 ^{*1}
(ii) Unrealized profits ((iii) - (iv))	3,309,313	7,850,361	4,541,048
(iii) Appraisal value	72,780,200	78,250,500	5,470,300
(iv) Book value	69,470,886	70,400,138	929,252
(v) Total Number of Investment Units Issued and Outstanding	351,967	360,667	8,700 ^{*2}
(vi) Distribution per unit	3,227	3,242	15
(vii) NAV ((i) + (ii) - (v) × (vi))	41,416,792	47,024,354	5,607,562
(viii) NAV Per Unit ((vii) / (v)) (JPY)	117,672	130,381	12,709

*1 Total issue price of the capital increase is JPY 1,066,620 thousand

*2 Third-party allotment to Chuden Real Estate

Breakdown of Unrealized Profits

<Increase of Unrealized Profits due to Assets Replacement>

(JPY thousand)

Transfer Assets	Unrealized profits or Loss as of January 31, 2024	Unrealized profits or Loss as of July 31, 2024	Increase or decrease
Yoshizuya Y Store Nishiharu	-2,262,775	0	2,262,775
TSUTAYA Sakai-minami (Leasehold land)	84,060	0	-84,060
LIFE Daisen (Leasehold land)	311,810	0	-311,810
Total	-1,866,905	0	1,866,905 ←(A)

(JPY thousand)

Acquisition Assets	Book value as of July 31, 2024	Appraisal value as of July 31, 2024	Unrealized profits as of July 31, 2024
tonarie Yamatotakada (50% quasi co-ownership) *50% of both book value and appraised value.	4,054,631	4,075,000	20,369
Hasekura Medical Building	1,421,468	1,480,000	58,532
fab Minamiosawa	3,751,117	4,320,000	568,883
Total	9,227,216	9,875,000	647,784 ←(B)

<Increase in appraised value of existing assets>

(JPY thousand)

Existing Assets	Appraisal value as of January 31, 2024	Appraisal value as of July 31, 2024	Increase or decrease
tonarie Minami-senri (Commercial building)	8,170,000	9,700,000	1,530,000
Asumigaoka Sushiro (Leasehold land)	143,000		18,000
Asumigaoka Brand-New Mall 2		161,000	
tonarie Toga・Mikita	6,970,000	7,210,000	240,000
tonarie Yamatotakada (50% quasi co-ownership) *50% of appraised value.	3,985,000	4,075,000	90,000
34 assets	47,142,200	47,229,500	87,300
Total			1,965,300 ←(C)

(A)+(B)+(C)

4,479,989

Other factors affecting book value, etc. →

61,059

Balance sheets

(JPY thousand)

	14th FP (Jan/24)	15th FP (Jul/24)
Assets		
Current assets		
Cash and deposits	2,308,510	2,412,756
Cash and deposits in trust	3,461,980	3,466,739
Operating accounts receivable	55,548	105,304
Prepaid expenses	88,744	85,872
Consumption taxes refund receivable	—	170,625
Other	—	26,139
Total current assets	5,914,784	6,267,438
Non-current assets		
Property, plant and equipment		
Buildings	7,063	—
Accumulated depreciation	-1,375	—
Buildings, net	5,688	—
Buildings in trust	12,812,723	14,154,848
Accumulated depreciation	-1,412,184	-1,282,888
Buildings in trust, net	11,400,538	12,871,959
Structures in trust	146,945	140,530
Accumulated depreciation	-38,672	-38,869
Structures, net	108,273	101,660
Tools, furniture and fixtures in trust	64,912	62,226
Accumulated depreciation	-22,527	-26,618
Tools, furniture and fixtures in trust, net	42,385	35,608
Land in trust	57,914,000	57,385,910
Construction in progress in trust	—	5,000
Total property, plant and equipment	69,470,886	70,400,138
Intangible assets		
Trademarks	448	394
Other	165	—
Total intangible assets	614	394
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	134,650	92,057
Deferred tax assets	3	18
Total investments and other assets	144,653	102,075
Total non-current assets	69,616,154	70,502,609
Total assets	75,530,938	76,770,047

	14th FP (Jan/24)	15th FP (Jul/24)
Liabilities		
Current liabilities		
Operating accounts payable	101,431	146,747
Current portion of long-term borrowings	2,386,000	5,964,700
Accounts payable	73,564	37,760
Accrued expenses	165,140	164,784
Income tax payable	676	990
Accrued consumption tax	27,080	—
Advances received	331,039	343,186
Deposits received	599	35,154
Total current liabilities	3,085,533	6,693,322
Non-current liabilities		
Long-term borrowings	30,705,000	27,126,300
Tenant lease and guarantee deposits in trusts	2,497,129	2,607,150
Total non-current liabilities	33,202,129	29,733,450
Total liabilities	36,287,662	36,426,772
Net assets		
Unitholders' equity		
Unitholders' capital	38,107,208	39,173,828
Surplus		
Unappropriated retained earnings (undisposed loss)	1,136,067	1,169,446
Total surplus	1,136,067	1,169,446
Total unitholders' equity	39,243,276	40,343,275
Total net assets	39,243,276	40,343,275
Total liabilities and net assets	75,530,938	76,770,047

Statements of income and retained earnings

(JPY thousand)

	14th FP (Jan/24)	15th FP (Jul/24)
Operating revenues		
Leasing business revenue	2,189,210	2,209,054
Other leasing business revenue	255,375	276,621
Gain on sale of real estate properties	—	563,532
Total operating revenue	2,444,586	3,049,207
Operating expenses		
Expenses related to leasing business	947,809	972,252
Loss on sale of real estate properties	—	535,410
Asset management fees	139,141	137,799
Asset custody fees	3,648	3,658
Administrative service fees	12,209	12,573
Remuneration for director (and other officers)	4,500	5,400
Taxes and public dues	10,592	20,539
Other operating expenses	51,776	48,879
Total operating expenses	1,169,677	1,736,513
Operating income	1,274,908	1,312,693
Non-operating income		
Interest income	27	26
Gain on forfeiture of unclaimed dividends	729	522
Total non-operating income	756	548
Non-operating expenses		
Interest expenses	81,326	101,609
Financing fees	57,795	36,170
Investment unit issuance expenses	—	5,306
Total non-operating expenses	139,122	143,086
Ordinary income	1,136,542	1,170,155
Income before income taxes	1,136,542	1,170,155
Income taxes-current	680	994
Income taxes-deferred	-1	-15
Total income taxes	679	979
Net income	1,135,862	1,169,176
Retained earnings bought forward	205	270
Unappropriated retained earnings (undisposed loss)	1,136,067	1,169,446

Repair expenses, capex and depreciation

Actual

(JPY thousand)

	14th FP (Jan/24)	15th FP (Jul/24)
Repair expenses	48,735	44,375
Capex	73,131	66,137
Main items	<i>tonarie Minami-senri</i> Escalator maintenance construction 13,196 <i>tonarie Seiwadai</i> Disaster prevention maintenance construction 9,650	<i>tonarie Minami-senri</i> Basic design fee for renewal construction 5,000 <i>tonarie Seiwadai</i> Air conditioning renewal construction 12,950
Depreciation	187,527	201,191

Forecast

(JPY thousand)

	16th FP (Jan/25)	17th FP (Jul/25)
Repair expenses	85,170	104,868
Capex	192,874	358,413
Main items	<i>tonarie Seiwadai</i> Public toilets repair construction 13,520 <i>tonarie Minami-senri</i> Renewal construction 106,119	<i>Asumigaoka</i> Rooftop parking lot waterproofing construction 80,275 <i>tonarie Minami-senri</i> Renewal construction 179,745
Depreciation	210,593	216,972

Income and Expenditure by Property

(JPY thousand)

Property name	YAMADA DENKI Tecc Land Sapporo Shiroishi(Leasehold Land)	Asumigaoka Brand-New Mall	Nishi-shiroi Ekimae Plaza	fab Minamiosawa	K's Denki Oyumino (Leasehold land)	Nitori Tsuchiura (Leasehold land)	Nitori Imaichi (Leasehold land)	Yoshizuya Y Store Nishiharu	MaxValu Kikyogaoka- higashi	tonarie Minami-senri	tonarie Seiwadai	tonarie Yamatotakada (ownership 50%)	tonarie Toga・Mikita	LAMU Kitatsumori (Leasehold land)	K's Denki Nishikobe (Leasehold land)	Sanyo Marunaka Mitani (Leasehold land)
Operating days	182	182	182	34	182	182	182	147	182	182	182	182	182	182	182	182
Age of buildings (year)	-	23.9	24.3	22.7	-	-	-		-	19.8	16.8	5.8	5.3	-	-	-
Operating revenues	Not disclosed	249,634	20,011	24,382	70,575	Not disclosed	Not disclosed	93,631	Not disclosed	331,774	173,424	212,704	261,947	38,148	62,177	Not disclosed
Leasing business revenue		179,637	17,034	20,637	70,575			91,548		271,963	135,977	176,059	226,028	38,148	62,177	
Other		69,997	2,976	3,745	-			2,083		59,811	37,446	36,644	35,919	-	-	
Expenses related to leasing business		146,305	6,752	10,494	7,616			36,370		144,748	82,772	79,567	90,350	6,988	5,544	
Taxes and public dues		23,545	1,325	-	7,066			7,500		27,553	12,540	12,239	14,673	6,238	4,794	
Management fees		37,764	2,100	3,033	300			18,043		47,498	26,642	27,617	34,780	499	499	
Insurance premium		1,929	87	201	-			4,924		828	828	575	1,032	-	-	
Repair expenses		13,291	256	265	-			3,763		11,961	9,568	1,546	1,943	-	-	
Other		69,774	2,982	6,993	250			2,138		56,906	33,192	37,589	37,920	250	250	
Leasing NOI	27,833	103,329	13,258	13,887	62,959	26,679	10,602	57,261	14,447	187,026	90,652	133,137	171,596	31,160	56,633	30,857
Depreciation	-	20,719	1,067	6,456	-	-	-	26,319	-	21,109	28,480	28,360	32,923	-	-	-
Operating income	27,833	82,609	12,191	7,431	62,959	26,679	10,602	30,942	14,447	165,917	62,171	104,776	138,673	31,160	56,633	30,857
Capex	-	10,585	1,776	-	-	-	-	13,686	-	18,348	20,094	873	-	-	-	-
NCF	27,833	92,743	11,481	13,887	62,959	26,679	10,602	43,574	14,447	168,677	70,557	132,264	171,596	31,160	56,633	30,857
Property name	TSUTAYA Sakai- minami (Leasehold land)	LIFE Daisen (Leasehold land)	TRIAL Omihachiman (Leasehold Land)	Kusuri no Aoki Ikaruga (Leasehold Land)	DRUG Yutaka Mukomachi (Leasehold Land)	WELCIA Amagasaki Mukomoto machi (Leasehold Land)	Cocokara Fine Neyagawakoen (Leasehold Land)	ENEOS Ikawadani SS (Leasehold Land)	GEO Hikone Takamiya (Leasehold Land)	SUROY MALL Nagamine	Fukuoka Kasuga Project (Leasehold land)	Fuji Grand Natalie	K's Denki Kurashiki (Leasehold land)	Hasekura Medical Building	Total/Average	
Operating days	147	147	182	182	182	182	182	182	182	182	182	182	182	34		
Age of buildings (year)	-	-	-	-	-	-	-	-	-	17.0	-	25.2	-	11.4	17.2 (Average)	
Operating revenues	17,520	58,400	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	Not disclosed	185,134	266,315	Not disclosed	Not disclosed	8,715	2,485,675	
Leasing business revenue	17,520	58,400								157,828	266,315			8,024	2,209,054	
Other	-	-								27,306	-			690	276,621	
Expenses related to leasing business	1,541	2,684								57,546	43,557			1,255	771,060	
Taxes and public dues	1,042	2,186								14,346	40,022			-	209,851	
Management fees	243	243								13,646	1,980			342	221,747	
Insurance premium	-	-								973	-			39	13,307	
Repair expenses	-	-								1,780	-			-	44,375	
Other	254	254								26,799	1,555			873	281,778	
Leasing NOI	15,978	55,715	21,952	18,444	10,125	11,708	14,821	12,147	6,921	127,588	222,758	104,441	53,228	7,459	1,714,614	
Depreciation	-	-	-	-	-	-	-	-	-	11,885	-	20,061	-	3,807	201,191	
Operating income	15,978	55,715	21,952	18,444	10,125	11,708	14,821	12,147	6,921	115,703	222,758	84,379	53,228	3,651	1,513,422	
Capex	-	-	-	-	-	-	-	-	-	772	-	-	-	-	66,137	
NCF	15,978	55,715	21,952	18,444	10,125	11,708	14,821	12,147	6,921	126,816	222,758	104,441	53,228	7,459	1,648,477	

(as of July 31, 2024/JPY million)

Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation ^{*1}	NOI yield after depreciation ^{*1}	Discount Rate
		Jan. 31, 2024 (A)	Jul. 31, 2024 (B)				
YAMADA DENKI Tecc Land Sapporo Shiroishi	1,300	1,330	1,340	10	4.3%	4.3%	4.4%
Asumigaoka Brand-New Mall (1) ^{*2}	3,200	3,200	3,200	-	6.2%	4.9%	4.9%
Asumigaoka Brand-New Mall (2) ^{*2}		143	161	18			until 7 FY : 4.8% from 8 FY to 10FY : 4.9% 11 FY : 5.0%
Asumigaoka McDonald's (Leasehold land)		150	150	-			until 2 FY : 4.2% from 3 FY : 4.3%
Nishi-shiroi Ekimae Plaza	451	470	470	-	5.8%	5.3%	5.1%
fab Minamiosawa ^{*3}	3,600	4,310	4,320	10	5.0%	3.9%	4.0%
K's Denki Oyumino (Leasehold land)	2,710	2,890	2,880	-10	4.7%	4.7%	4.7%
Nitori Tsuchiura (Leasehold land)	999	1,100	1,100	-	5.4%	5.4%	5.3%
Nitori Imaichi (Leasehold land)	363	410	410	-	6.0%	6.0%	5.6%
MaxValu Kikyogaoka-higashi (Leasehold land)	477	542	554	12	6.2%	6.2%	5.6%
tonarie Minami-senri	7,200	8,170	9,700	1,530	5.8%	5.2%	4.4%
tonarie Seiwadai	3,290	3,350	3,350	-	4.9%	3.1%	5.2%
tonarie Yamatotakada ^{*4}	8,208	7,970	8,150	180	4.8%	3.8%	4.6%
tonarie Toga・Mikita	6,986	6,970	7,210	240	4.9%	4.0%	4.4%
LAMU Kitatsumori (Leasehold land)	1,270	1,480	1,480	-	4.9%	4.9%	4.3%
K's Denki Nishikobe (Leasehold land)	2,133	2,470	2,470	-	5.3%	5.3%	4.6%
Sanyo Marunaka Mitani (Leasehold land)	1,430	1,540	1,550	10	4.4%	4.4%	4.6%
TRIAL Omihachiman (Leasehold land)	1,010	1,110	1,110	-	4.4%	4.4%	4.6%
Kusuri no Aoki Ikaruga (Leasehold land)	711	731	731	0	5.3%	5.3%	5.2%
DRUG Yutaka Mukokamiueno (Leasehold land)	460	477	477	-	4.5%	4.5%	4.4%

Property name	Acquisition price	Appraisal value		Difference (B) – (A)	NOI yield before depreciation ^{*1}	NOI yield after depreciation ^{*1}	Discount Rate
		Jan. 31, 2024 (A)	Jul. 31, 2024 (B)				
WELCIA Amagasaki Mukomotomachi (Leasehold land)	565	577	577	-	4.2%	4.2%	until 6 FY : 4.0% from 7 FY : 4.1%
Cocokara Fine Neyagawakoen (Leasehold land)	702	719	720	1	4.3%	4.3%	until 3 FY : 4.1% from 4 FY : 4.2%
ENEOS Ikawadani SS (Leasehold land)	530	531	531	-	4.7%	4.7%	until 5 FY : 4.2% from 6 FY : 4.3%
GEO Hikone Takamiya (Leasehold land)	300	305	303	-2	4.8%	4.8%	4.3%
SUROY MALL Nagamine	4,600	4,500	4,500	-	5.4%	4.9%	5.0%
MrMAX Kasuga (Leasehold land)	3,387	3,970	3,980	10	4.2%	4.2%	4.5%
UNIQLO Kasuga (Leasehold land)	595	677	680	3	3.9%	3.9%	4.6%
Avail.Shimamura Kasuga (Leasehold land)	863	1,110	1,120	10	4.6%	4.6%	4.6%
au-SoftBank Kasuga (Leasehold land)	143	161	160	-1	4.5%	4.5%	4.6%
Kura Sushi Kasuga (Leasehold land)	261	306	304	-2	4.6%	4.6%	4.6%
docomo Shop Kasuga (Leasehold land)	160	183	181	-2	4.5%	4.5%	4.6%
Konpira Maru Kasuga (Leasehold land)	236	266	265	-1	4.6%	4.6%	4.6%
One-Karubi Kasuga (Leasehold land)	236	266	265	-1	4.6%	4.6%	4.6%
Suke-san Kasuga (Leasehold land)	401	421	421	-	4.3%	4.3%	4.6%
NAFCO Kasuga (Leasehold land)	2,631	3,480	3,500	20	4.4%	4.4%	4.5%
K's Denki Kasuga (Leasehold land)	1,487	1,870	1,880	10	4.2%	4.2%	4.5%
Fuji Grand Natalie	3,950	4,100	4,110	10	5.2%	4.2%	4.9%
K's Denki Kurashiki (Leasehold land)	2,121	2,450	2,460	10	5.0%	5.0%	4.6%
Hasekura Medical Building ^{*5}	1,400	1,480	1,480	-	4.8%	3.2%	4.3%
TOTAL ^{*6}	70,373	76,185	78,250	2,065	5.0%	4.4%	-
	69,604	72,780	(Reference) Acquisition price and appraisal value as of January 31, 2024 disclosed in the 14th FP				

New tenants and Events

New tenants *1

Total 3 tenants: Amount if new rents contribute for whole period is JPY 13mn

Asumigaoka Brand-New Mall (Midori-ku Chiba-shi, Chiba)

“Minami-Boso Yamato sushi Asumigaoka” opened on June 27, 2024

- A sushi restaurant directly managed by a seafood company from Minami-Boso
- Monthly rent increased by 38.5% compared to the previous sushi restaurant tenant, and NOI (annual) after depreciation also increased by 15.7%



tonarie Minami-senri (Suita-shi, Osaka)

“Kyushu ramen Kiou Hankyu Minami-senri” opened on July 3, 2024

- Opened as one of the few ramen restaurants in the Minami-senri Station area and has been a success
- Monthly rent and common charges increased by 54.6% compared to the previous restaurant tenant



Total 9 tenants *2

	Tenants	Increase or decrease in monthly rents total	Volatility
Rent increase	3	up JPY 79 thousand	up 13.4%

Other revenues (Events etc.,)

Revenue from events: JPY 22mn

[Examples of Special Events]

tonarie Seiwadai (Kawanishi-shi, Hyogo)

Tanabata event

- Set up large bamboo branches in four places in the building and decorated them with strips of paper on which the wishes of the facility users were written. Also held events such as origami classes, contributing to attracting customers to the facility



tonarie Toga-Mikita (Minami-ku Sakai-shi, Osaka)

Used clothing collection event

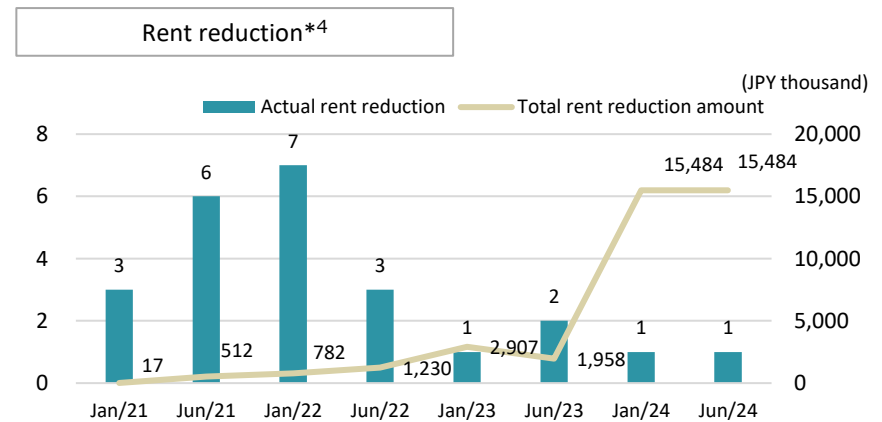
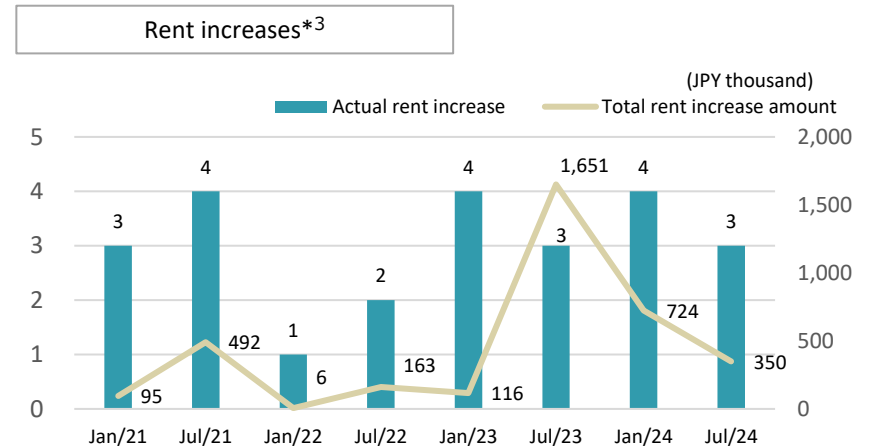
- An attempt to collect used clothing and use the money to buy vaccines for children in developing countries. Giving people who bring in used clothing a JPY 500 shopping voucher helped to attract customers and increase sales



New contracts and terminations of tenants*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	Restaurants1 General Products 2
11th (Jul. 2022)	3	Services 1 Food products 1 General Products 1	3	Services 1 Food products 1 Apparel 1
12th (Jan. 2023)	8	Restaurants 2 Services 5 General Products 1	5	Restaurants 3 Services 1 General Products 1
13th (Jul. 2023)	7	Restaurants 4 Services 2 General Products 1	10	Restaurants 2 Services 4 Food products 3 General Products 1
14th (Jan. 2024)	3	Services 1 General Products 1 Restaurants 1	5	Services 2 General Products 2 Restaurants 1
15th (Jul. 2024)	3	Services 1 Restaurants 2	3	Services 1 Restaurants 2

Rent increases and decreases*2 of tenants*1



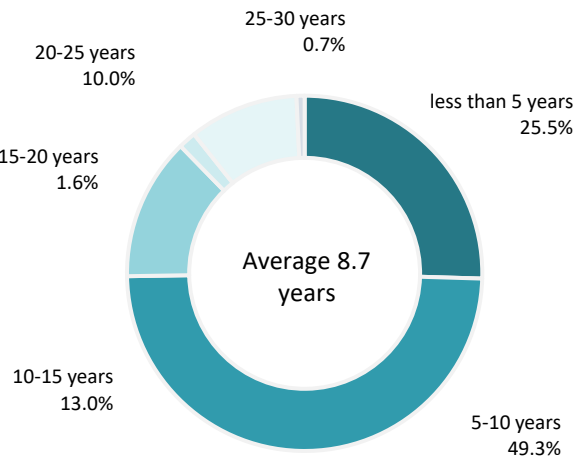
Trends in portfolio occupancy rate

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

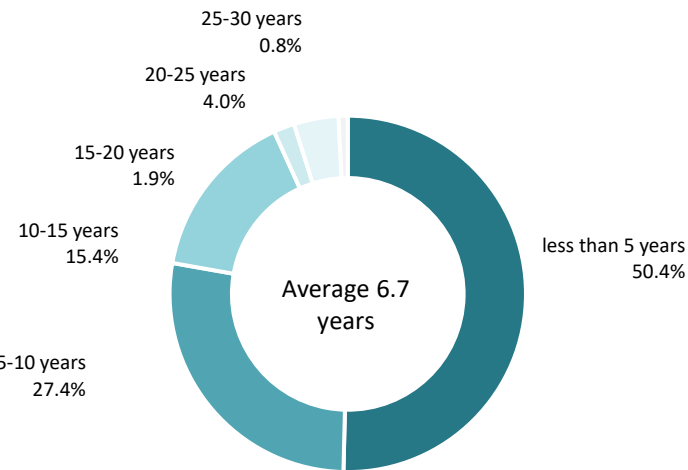
The rent of the sports club tenant at tonarie Seiwadai was reduced by half from August 2023 to July 2024, and the rent has been reduced for one year from August 2024.

Remaining Lease Term as of July 31, 2024

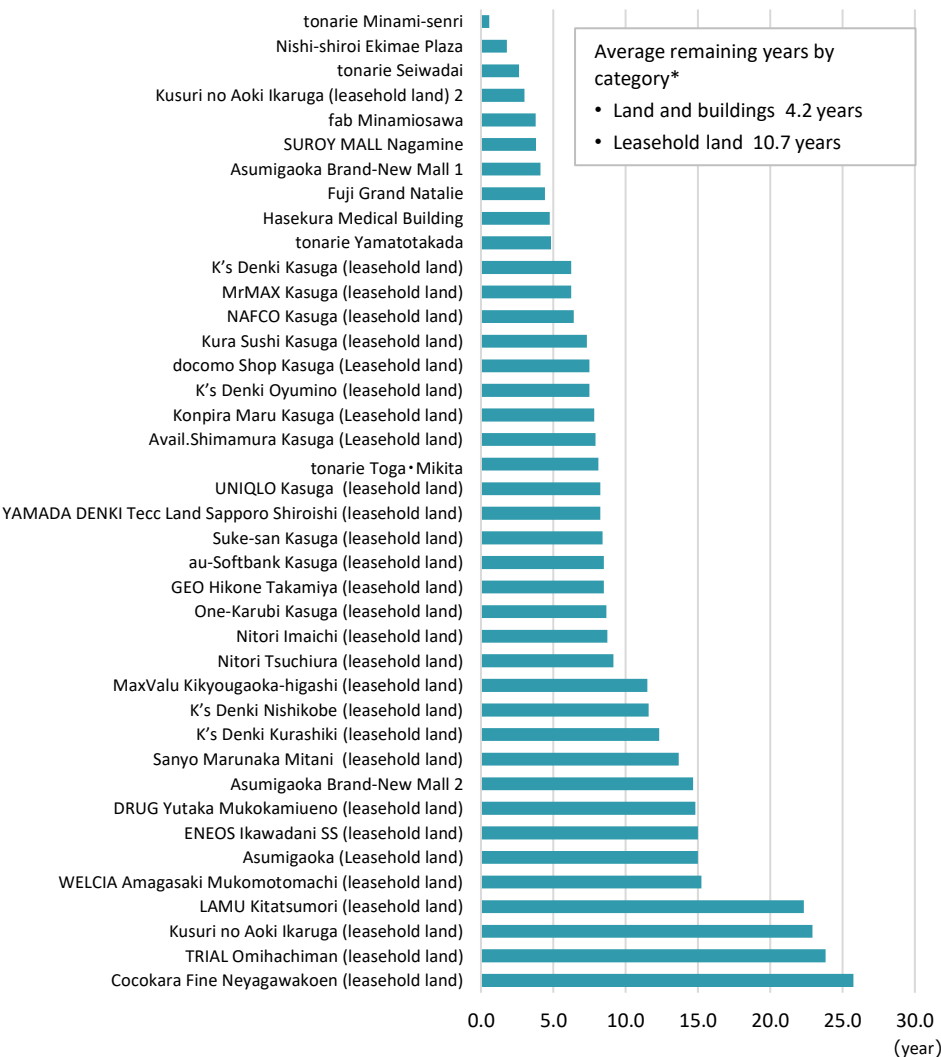
Based on leasable area



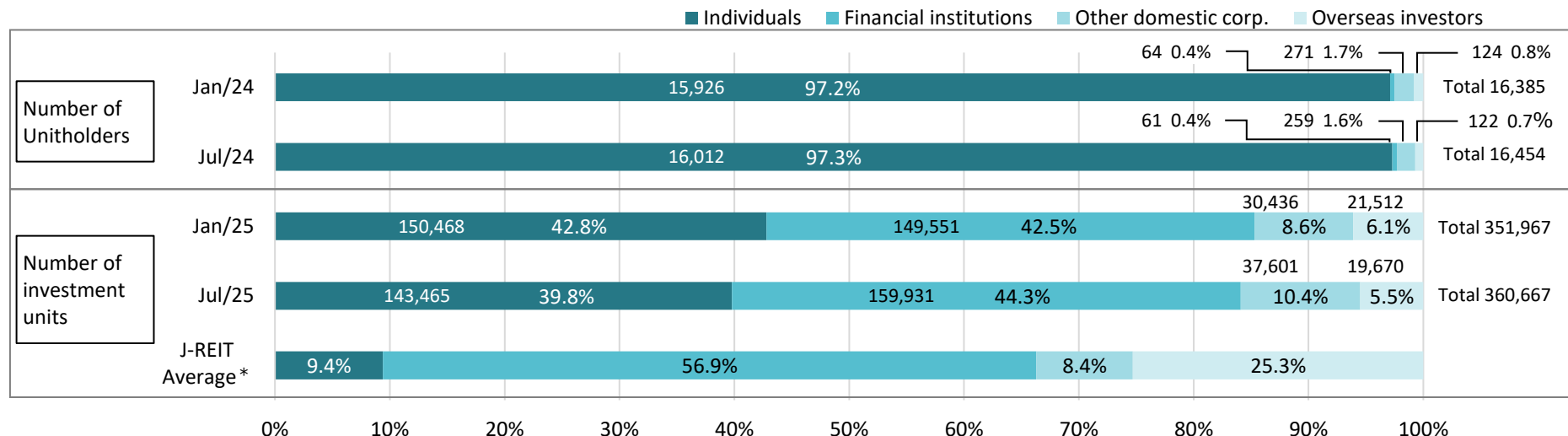
Based on contract rent + common charges



Based on leasable area by property



Unitholders by type (as of July 31, 2024)

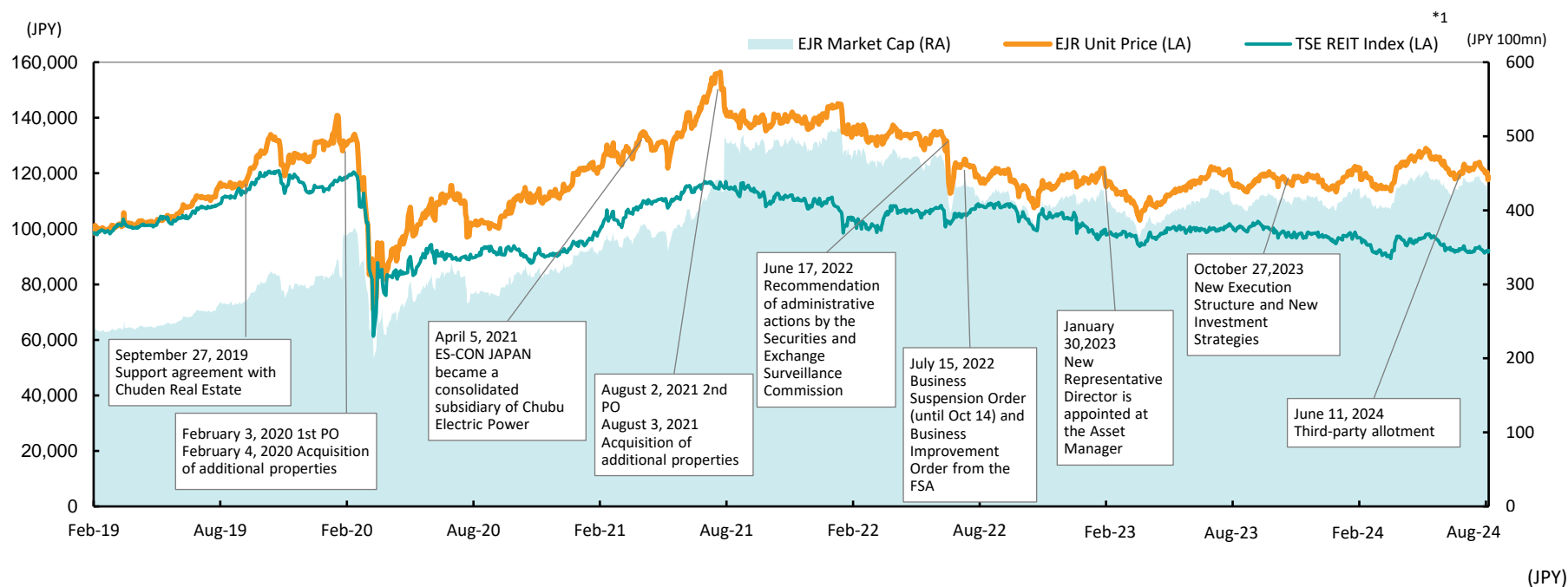


Top ten unitholders

	Unitholders	Number of units held	Ownership ratio
1	The Master Trust Bank of Japan, Ltd. (Trust account)	36,668	10.2%
2	Custody Bank of Japan, Ltd. (Trust Account)	35,463	9.8%
3	Osaka Co-sei Shinkin Bank	20,940	5.8%
4	ES-CON JAPAN Ltd.	16,894	4.7%
5	The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	13,334	3.7%
6	Chuden Real Estate Co., Inc.	8,700	2.4%
7	Daido Shinyo Kumiai	6,415	1.8%
8	Kinkisangyo Shinkumi Bank	6,226	1.7%
9	Osaka Shoko Shinkin Bank	5,487	1.5%
10	THE SAIKYO BANK, LTD.	4,950	1.4%
Total		155,077	43.0%

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

Unit price trend



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

Forecast dividend yield

Forecast dividend yield*2 EJR **5.80 %** J-REITs Average 4.74%



Overview of ESCON REIT

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

Overview of portfolio

Assets Under Management (Acquisition price basis)	37 properties , JPY 70.3 billion
Target Investment Areas (Acquisition price basis)	Hokkaido region 1.8%, Tokyo metropolitan area 16.1%, Chubu region 0.7%, Kinki region 49.4%, Kyushu region 21.3%, Other area 10.6%
Occupancy Rate	99.8 %

IR contacts

IR	The Department of Finance and Control, ES-CON ASSET MANAGEMENT
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Address	The Okura Prestige Tower 20F, 2-10-4, Toranomon, Minato-ku, Tokyo, 105-0001, Japan

Asset management company

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

Page 3

- * The "Occupancy rate" is calculated by the calculation formula below based on data as of July 31, 2024 and rounded off to the nearest first decimal place. The same applies below.
Occupancy rate = Leased area / Leasable area × 100

Page 5

- *1 The "Acquisition price" does not include consumption tax, local consumption tax, or various expenses required for acquisition. The same applies below.
- *2 As for the "Appraisal value," the appraisal value in the real estate appraisal reports with a valuation date of January 31, 2024 is stated before the asset replacement. After the asset replacement, the appraisal value in the real estate appraisal reports with a valuation date of July 31, 2024 is stated. The amounts are rounded down to the nearest JPY million.
- *3 As for the "Appraisal NOI yield," before the asset replacement, it is the ratio of the net operating revenues in the first period under the DCF method stated in the real estate appraisal reports with a valuation date of January 31, 2024 to the acquisition price, and after the asset replacement, it is the ratio of the net operating revenues in the first period under the DCF method stated in the real estate appraisal reports with a valuation date of July 31, 2024 to the acquisition price. These ratios are stated after rounding off to one decimal place.
- *4 As for "Unrealized profits," before the asset replacement, the difference between the appraisal value as of January 31, 2024 and the book value at the end of the fiscal period is stated, and after the asset replacement, the difference between the appraisal value stated in the real estate appraisal reports with a valuation date of July 31, 2024 and the book value at the end of the fiscal period is stated. The amounts less than JPY one million are rounded down.
- *5 As for "NOI after depreciation (annual)," before the asset replacement, the total of the actual figures for the fiscal period ended July 31, 2023 and the actual figures for the fiscal period ended January 31, 2024 are stated, and after the asset replacement, the total of the actual figures for the fiscal period ended July 31, 2024 for assets other than the replaced assets and the assumed figures for assets acquired on a cruising basis after the fiscal period ending July 31, 2025 are stated on an annual basis. The amounts less than JPY one million are rounded down.
- *6 As for "NAV Per Unit," before the asset replacement, it is calculated based on the appraisal value as of January 31, 2024, the actual value of unrealized profits for the period ended January 31, 2024, and the total number of investment units issued and outstanding of 351,967 units, and after the asset replacement, it is calculated based on the appraisal value as of July 31, 2024, the actual value of unrealized profits for the period ended July 31, 2024, and the total number of investment units issued and outstanding of 360,667 units, using the following formula.
"NAV 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
- *7 As for "LTV," before the asset replacement, it is calculated based on the book value as of January 31, 2024, and after the asset replacement, it is calculated based on the book value as of July 31, 2024, using the following formula, and rounded to one decimal place.
"LTV" = "Interest-bearing debt" / "Total assets" × 100

Page 7

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

Page 18

- *1 The "owned assets" are only the properties that ESCON REIT owns and for which sales figures can be disclosed.
- *2 For the two properties of Asumigaoka Brand-New Mall and tonarie Minami-senri, the period is one year from February 2019 to January 2020, for the two properties of tonarie Yamtotakada and tonarie Toga Mikita, the period is one year from February 2020 to January 2021, and for SUROY MALL Nagamine, the period is one year from August 2021 to July 2022.

Page 19

- *1 These perspective images are still in the planning stages and may differ from the end results.
- *2 The "Assumed ROI" is calculated using the following formula and rounded to a whole number.
"Assumed ROI" = (Forecast NOI after depreciation in the 18th FP after completion of renewal construction - Actual NOI after depreciation in the 14th FP before renewal construction) × 2 / Forecast capex for renewal construction × 100
- *3 The "Other four properties" are Asumigaoka Brand-New Mall, tonarie Toga Mikita, SUROY MALL Nagamine, and fab Minamiosawa.

Page 23

- *1 A green lease clauses 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.
- *2 Based on a study of the annual greenhouse gas emissions of nine land and building properties owned by ESCON REIT in 2022.
- *3 "Assets held by ESCON REIT" are 9 properties, Asumigaoka Brand-New Mall, Nishi-shiroi Ekimae Plaza, Yoshizuya Y Store, tonarie Minami-senri, tonarie Seiwadai, tonarie Yamatotakada, tonarie Toga-Mikita, SUROY MALL Nagamine and Fuji Grand Natalie.
- *4 GHG emissions were estimated by the Asset Manager, using only properties for which comparable data can be obtained under the same conditions.
Scope1: GHG emissions from fuel consumption in common areas and other office operations of each owned asset
Scope2: GHG emissions from the consumption of externally procured electricity in the common areas and other office operations of each assets
- *5 The intensity is calculated by dividing the GHG emissions (Scope 1 and 2) for each year by the total floor area of each owned assets.
- *6 Total amount of electricity, fuel, and water charges.
- *7 This amount is composed of JPY 1,442,000 that can be reduced through operation without investment, JPY 21,467,000 that has an investment payback period of 5 years or less, and JPY 2,890,000 that has an investment payback period exceeding 5 years.
- *8 The "Electricity charges" is calculated by the calculation formula below and rounded off to the nearest first decimal place. The same applies below.
Electricity charges (JPY/year) = Amount of electricity used (kWh) × 20 (hours) × 30 (days) × 12 (months) × Unit price billed by power company for usage in July 2024 (JPY/kWh)

Page 24

- *1 The "Community General Support Center" is a public organization established by Kawanishi City, Hyogo Prefecture, to provide comprehensive consultation on health and welfare services for the elderly in each region.
- *2 The "Seiwadai Community Council" is one of the 14 residents' associations in Kawanishi City, Hyogo Prefecture.
- *3 The four properties owned by ESCON REIT, namely tonarie Minami-senri, tonarie Seiwadai, tonarie Yamtotakada, and tonarie Toga-Mikita. The same applies below.
- *4 All 21 full-time employees as of July 31, 2024 are subject. Part-time executives and employees, as well as temporary employees, are not included.

Page 25

- *1 Interested parties are those defined in the Asset Manager's Interested Party Transaction Rules.
- *2 Those in which a third parties other than the interested parties are the subject are called "bridges" and those in which the interested parties are the subject are called "warehousing".
- *3 When transferring assets under management to an interested party at a price less than the appraisal value, it must be possible to explain the reasonableness of the gap between the appraisal value and the transfer price, and the reason why it was determined that the transfer should be implemented (including the basis for determining the reasonableness of the gap between the transfer price and the appraisal value) must be explained in the timely disclosure of the transfer.
- *4 In the case of a transaction with an interested party, 4 directors who are not members of the committee are also required to attend the meeting.
- *5 If the property falls under the category of healthcare facilities (which refer to serviced housing for the elderly set forth in Article 5 of the Act on Securement of Stable Supply of Elderly Persons' Housing, paid nursing homes set forth in Article 29 of the Act on Social Welfare for the Elderly, or elderly group homes for those with dementia based on Paragraph 6 of Article 5-2 of the same law), the Investment Management Committee will obtain a report on the property from an external expert prior to the resolution and make an investment decision based on the report after obtaining advice from the external expert as necessary.
- *6 If the acquisition draft plan constitutes a transaction with an interested party under the Investment Trust Law, prior approval from ESCON REIT's Board of Directors should be obtained.
- *7 Apart from ESCON REIT's Board of Directors, 2 separate meetings are held with the Asset Manager for the purpose of prior information sharing and prior explanation of agenda items at ESCON REIT's Board of Directors.
- *8 The Asset Manager's Board of Directors met 9 times during the 15th FP, of which 8 meetings were attended by all 6 directors and 1 meeting was attended by 5 directors. In addition, apart from Board of Directors, 1 separate meeting is held for the purpose of prior information sharing and prior explanation of agenda items at Board of Directors.
- *9 Apart from Compliance Committee, three separate meetings are held for the purpose of prior information sharing and prior explanation of agenda items at Compliance Committee.
- *10 Apart from Investment Management Committee, five separate meetings are held for the purpose of prior information sharing and prior explanation of agenda items at Investment Management Committee.

Page 26

- *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").

Page 28

- *1 "Appraisal value" is the appraisal value of the real estate appraisal report with July 31, 2024, as the date of value. The same applies to the assets acquired in the fiscal period ended July 31, 2024.
- *2 "Appraisal NOI yield" is the ratio of the net operating income in the 1st fiscal period to the planned acquisition price based on the DCF method as stated in the real estate appraisal report with July 31, 2024 as the date of value, rounded to the first decimal place. The same applies below.
- *3 Figures are based on the 2022 census (Nara Prefecture's official website, "2020 Census: Nara Prefecture Results").

Page 29

- * "Primary medical care area" is defined as the area within a 500-meter radius of the facility, and "secondary medical care area" is defined as the area within a 1-kilometer radius of the facility.

Page 30

- *1 The Seller of fab Minamiosawa is a domestic corporation, but as consent for disclosure has not been obtained, it is not stated. Such corporation does not come under the category of an interested party or the like, as defined in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the "Investment Trust Act"), nor does it fall under the definition of an interested party in the Interested-Party Transaction Rules of the Asset Manager. The same applies below.
- *2 The intermediary for the acquisition of *fab Minamiosawa* is a domestic corporation, but as consent for disclosure has not been obtained, it is not stated. Such corporation does not come under the category of an interested party or the like, as defined in Article 201, Paragraph 1 of the Investment Trust Act, nor does it fall under the definition of an interested party in the Interested-Party Transaction Rules of the Asset Manager.

Page 36

- * The "Age of buildings" for the "Yoshizuya Y Store Nishiharu" that was transferred during the 15th FP is not listed.

Page 37

- *1 The "Appraisal NOI yield before depreciation" is the ratio of the net operating revenues for the first period under the DCF method as stated in the real estate appraisal reports with a valuation date of July 31, 2024, to the acquisition price, and the "Appraisal NOI yield after depreciation" is the ratio of the net operating revenues under the DCF method as stated in the same real estate appraisal reports excluding depreciation to the acquisition price, rounded to one decimal place. Depreciation used to calculate the appraisal NOI yield after depreciation is the annualized depreciation for the fiscal period ending January 2025 for assets owned as of July 31, 2024 (depreciation for capital expenditures for the fiscal period ending January 2025 is not taken into account).
- *2 The "Appraisal value" of "Asumigaoka Brand-New Mall" is listed separately for the commercial building as (1) and the separate building (which refers to the building that was acquired without consideration from Akindo Sushiro Co., Ltd. on April 30, 2024. The same applies below.) as (2).
- *3 The appraisal value "2024/1/31 (A)" listed for fab Minamiosawa is the appraisal value listed on the real estate appraisal reports with a valuation date of March 31, 2024.
- *4 tonarie Yamtotakada became a 100% owned property on June 28, 2024 due to the additional acquisition of 50% quasi co-ownership interest. The appraisal value listed in "2024/1/31 (A)" is the amount obtained by doubling the appraisal value listed in the real estate appraisal reports with a valuation date of January 31, 2024.
- *5 The appraisal value "2024/1/31 (A)" listed for Hasekura Medical Building is the appraisal value listed on the real estate appraisal reports with a valuation date of April 1, 2024.
- *6 The appraisal value "2024/1/31 (A)" listed for the portfolio total is the total of the appraisal values "2024/1/31 (A)" listed for each owned asset, and does not match the disclosed total appraisal value of JPY 72,780 million for the assets owned by ESCON REIT as of January 31, 2024.

Page 38

- *1 Tenants for whom rents accrued during FP7/24.
- *2 Contracts with tenants renewed during FP7/24. They do not include tenants who newly concluded or terminated contracts during FP7/24. If the re-signing date with such tenant is the last day of the fiscal period, the following day is used as the cancellation date.

Page 39

- *1 If the date of termination or expiration of the contract with the tenant is at the end of the fiscal period, the next day (the next term) is the cancellation date. Excluding rental housing of Yoshizuya Y Store Nishiharu. Changes in business type involving the transfer of the same tenant's parcel are included in the two types of cancellations and attracting new tenants.
- *2 For existing tenants.
- *3 Rent increase (number of tenants during the period, total amount during the period)" shows the number of tenants who started to increase rent during the 15th FP and the total amount of rent increase.
- *4 Rent Reduction (number of tenants during the period, total amount during the period)" shows the number of tenants who implemented rent reductions during the 15th FP and the total amount of rent reductions (including tenants who started rent reductions before the 14th FP).

Page 40

- * Average remaining lease term based on leasable area for each property as of July 31, 2024, rounded to one decimal place.

Page 41

- * J-REIT's Average - Refer to the Japan Exchange Group: REIT Investor Survey (June 3, 2024)

Page 42

- *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 15th FP and 16th FP by the investment unit (closing price) as of January 31, 2024.
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 July 2024) of the Japan Exchange Group.

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