

ES CON JAPAN REIT



ES CON JAPAN REIT Investment Corporation

6<sup>th</sup>  
Fiscal Period  
ended January 31,  
2020

# Financial Results Presentation Materials

Securities code: 2971





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After listing on February 2019, ESCON REIT has since continued operation consistently, implemented first PO and acquisition of additional assets on February 2020.

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## Highlights for 6<sup>th</sup> fiscal Period

- Support agreement with Chuden Real Estate
- Acquisition of an issuer rating by R&I [A-] (stable)
- Internal growth attained by improvement in occupancy rates

2

## Financial Results Summary And Features

6<sup>th</sup> Fiscal Period  
(ended January 31, 2020)

- DPU: 3,728 yen  
(Increase by 38 yen (or 1.0%) from previous forecast of 3,690 yen)

3

## PO Highlights

- First public offering on February 3, 2020 (Total amount of issuance: Approx. 5.7 billion yen\*)
- Three properties additionally acquired (priced around 10.3 billion yen -> Total price of acquired assets: Approx. 51.9 billion yen)

\* Including the portion offered in the overallotment

4

## Earnings Forecast

Forecast for 7<sup>th</sup> Fiscal Period  
(ending July 31, 2020)  
Forecast for 8<sup>th</sup> Fiscal Period  
(ending January 31, 2020)

- 7<sup>th</sup> fiscal period DPU: 3,279 yen
- 8<sup>th</sup> fiscal period DPU: 3,474 yen

5

## Growth Strategy

- Aim to achieve AUM of 100 billion yen over the medium term
- Take advantage of support from the sponsor and the supporter for external growth
- Positive ESG Initiative



# 1. Highlights for 6<sup>th</sup> Fiscal Period





ESCON REIT's investment unit price was on a steady upward trend from the listing date to the end of January 2020 (the end of the 6<sup>th</sup> fiscal period).

February 13, 2019 (listing date)  
Issue price

**101,000 yen**

January 31, 2020  
Closing price

**131,200 yen**

## Historical Unit Price after IPO and Major Initiatives

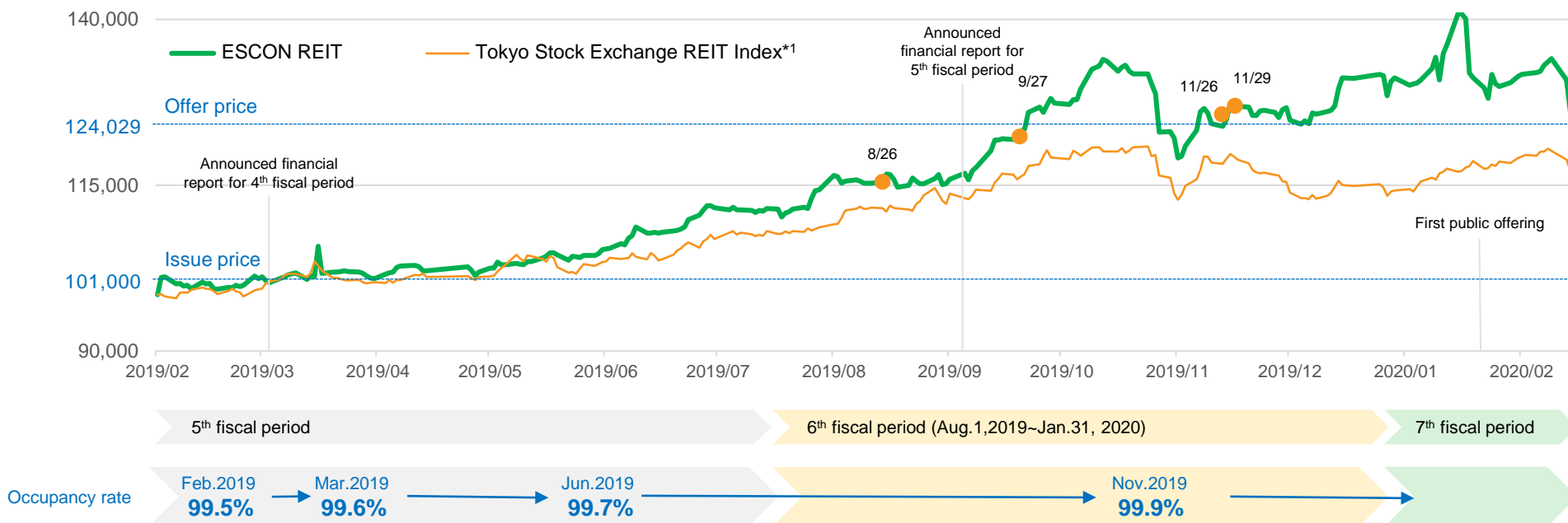
Aug. 26, 2019  
Announced  
introduction of  
ESOP

Sep. 27, 2019  
Support agreement  
with Chuden Real  
Estate

Nov. 26, 2019  
Acquisition of an  
issuer rating by R&I  
[A-] (stable)

Nov. 29, 2019  
Concluded a memorandum  
with Chuden Real Estate for a warehousing  
function and preferential negotiation rights

Forecast dividend yield\*2  
ESCON REIT **5.15%**  
J-REIT Average 3.80%



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

\*2 The forecast dividend yield is calculated by dividing the sum total of the distributions forecasts for the fiscal periods ending July 31, 2020 and January 31, 2021 by the investment unit price (closing price) as at January 31, 2020. The average forecast dividend yield of all J-REITs is the market capitalization-weighted average forecast annualized dividend yield disclosed in the monthly REIT Report (for February 2020) of the Japan Exchange Group.

## 2. Financial Results Summary and Features







# Performance for 6<sup>th</sup> Fiscal Period (ended January 31, 2020)



Steady operation exceeded previous forecast and previous results

## Financial highlights of the 6<sup>th</sup> fiscal Period

## Previous forecast and previous results

### DPU

3,728 yen  
(+38 yen)



3,690 yen (forecast as at September 13, 2019)

### Occupancy Rate

99.9%  
(+0.2%)



Occupancy rate at the end of 5<sup>th</sup> fiscal period: 99.7%  
(as at July 31, 2019)

### LTV\*1

43.6%  
(▲0.1%)



LTV at the end of 5<sup>th</sup> fiscal period: 43.7%  
(as at July, 2019)

### NOI yield\*2

NOI yield after depreciation as at January 31, 2020: 5.2%  
(NOI yield before depreciation: 5.6%)

\*1 Based on total assets.

\*2 Based on book value at the end of the fiscal period.



Distribution was up by nearly 1% from forecast (on September 13, 2019) due to lower expenses.

### Earnings Performance for the 6<sup>th</sup> Fiscal Period (ended January 31, 2020)

Unit: million yen

	5 <sup>th</sup> Fiscal Period Performance ended Jul. 31, 2019 (a)	6 <sup>th</sup> Fiscal Period Forecast as at Sep. 13, 2019 (b)	6 <sup>th</sup> Fiscal Period Performance ended Jan. 31, 2020 (c)	vs. previous period (c-a)	vs. forecast (c-b)
Operating revenues	1,434	1,543	1,544	109	0
Operating income	987	954	963	△24	8
Ordinary income	672	874	883	211 <sup>*3</sup>	8
Net income	671	873	882	211	9
DPU	2,835 yen	3,690 yen	3,728 yen	893 yen	38 yen
Depreciation	83	83	84	1	0
NOI after depreciation	1,049	1,112	1,109	60	△2
NOI yield after depreciation	5.3% <sup>*1</sup>	5.3%	5.2%	△0.1%	△0.0%
Number of operating days	181 days (169 days <sup>*2</sup> )	184 days	184 days	3 days	0 days

<sup>\*1</sup> NOI yield for the 22 properties purchased during the fiscal period is calculated using annualized NOI based on a 365-day year. Property taxes and city planning taxes on these 22 properties in FY2019 were recorded on the book value at the time of purchase and are not accounted for as an expense.

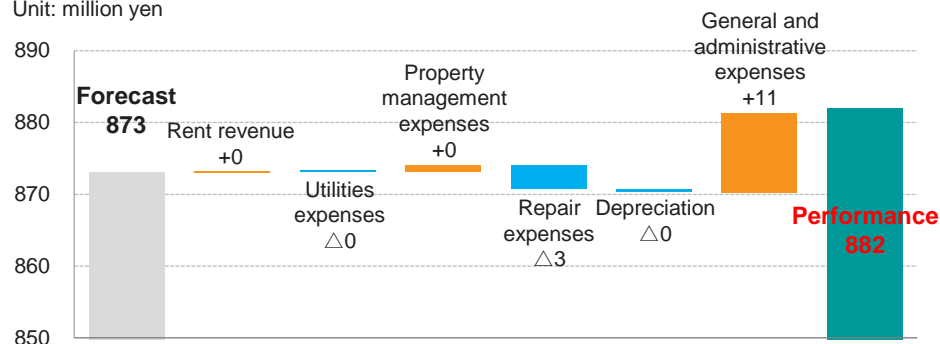
<sup>\*2</sup> Operating days since IPO is 169 days.

<sup>\*3</sup> This change results from the fact that expenses related to listing and borrowing expenses were accounted for in the 5<sup>th</sup> fiscal period.

### Main reasons for fluctuation in net income (vs. forecast)

● Rent revenue etc.	Due to increase in rent revenue after inviting Curves to be a tenant at tonarie Seiwadai, Axtos at Asumigaoka Brand-New Mall, and Matsumotokiyoishi at tonarie Minami-senri as planned	+0 million yen
● Utilities expenses	Due to effect of cutting electric power rates with the help of Chubu Electric Power as planned	△0 million yen
● Property management expenses		+0 million yen
● Increase in repair expenses	Replacement of air conditioning filters at Asumigaoka Brand-New Mall ahead of schedule	△3 million yen
● Decrease in depreciation		△0 million yen
● Decrease in general and administrative expenses	Due to decrease in outsourcing expenses	+11 million yen
● Others		+0 million yen

Unit: million yen





### 3. PO Highlights





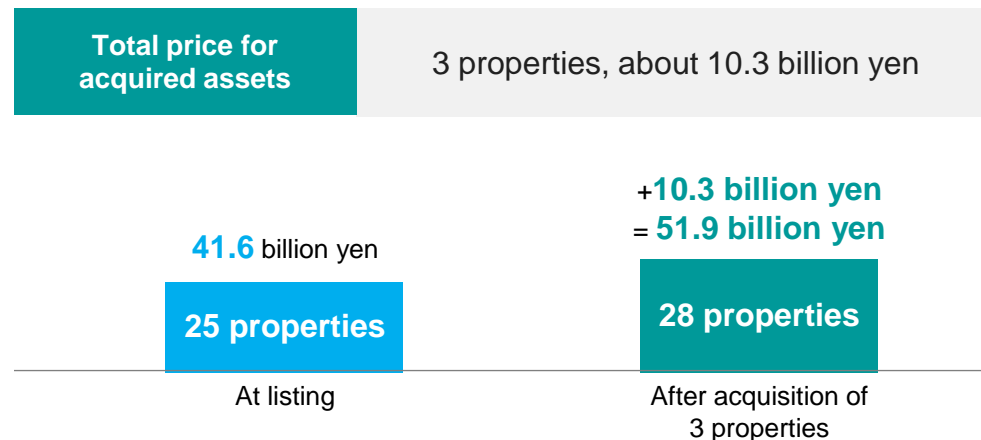
Distribution was up by nearly 1% from forecast (on September 13, 2019) due to lower expenses

### Outline of first public offering

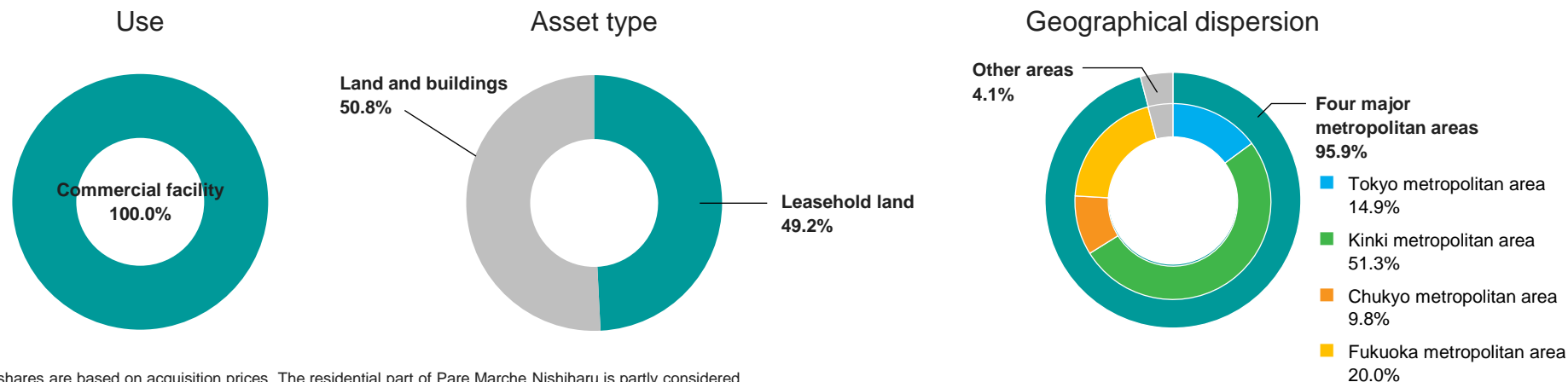
Launch date	January 10, 2020
Pricing date	January 22, 2020
Number of new investment units issued	45,982 units* <sup>1</sup>
Issue price	124,029 yen
Total issue amount	About 5.7 billion yen * <sup>1</sup>

\*<sup>1</sup> Including the portion offered in the overallotment

### Transition of AUM



### Portfolio data after first public offering (28 properties)\*<sup>2</sup>



\*<sup>2</sup> The shares are based on acquisition prices. The residential part of Pare Marche Nishiharu is partly considered.



ESCON REIT has acquired leasehold land as sources of high returns to unitholders and tonarie lifestyle-focused commercial facilities.

## Overview of 3 acquired assets



Properties	Location	Sponsor-developed properties <sup>*1</sup>	Right to purchase at a fixed price	Acquisition price	Appraisal value <sup>*2</sup>	Appraisal NOI yield <sup>*3</sup>	Occupancy Rate	Number of tenants <sup>*4</sup>	Total rentable area <sup>*5</sup>
LIFE Daisen (leasehold land)	Sakai-shi, Osaka		●	2.73 billion yen	3.05 billion yen	4.9%	100.0%	1	9,264.48 m <sup>2</sup>
tonarie Yamatotakada (ownership 50%)	Yamatotakada-shi, Nara	●	●	4.15 billion yen	4.20 billion yen	5.0%	98.4%	64	14,505.67 m <sup>2</sup>
tonarie Toga・Mikita (ownership 50%)	Sakai-shi, Osaka	●	●	3.49 billion yen	3.55 billion yen	4.8%	98.8%	30	8,471.24 m <sup>2</sup>
<b>Acquired assets Total / Average</b>				<b>10.37 billion yen</b>	<b>10.81 billion yen</b>	<b>4.9%</b>	<b>99.0%</b>	<b>95</b>	<b>32,241.39 m<sup>2</sup></b>
<b>Portfolio Total / Average</b>				<b>51.98 billion yen</b>	<b>56.79 billion yen</b>	<b>5.1%</b>	<b>99.6%</b>	<b>283</b>	<b>316,055.67 m<sup>2</sup></b>

<sup>\*1</sup> Sponsor-developed properties refer to land or buildings purchased by the sponsor either directly or through TK equity, and has either converted the land into leasehold land or has constructed a building and found a tenant for it.

<sup>\*2</sup> The appraisal value represents the figure as of July 31, 2019, which was the latest at the time of acquisition of additional properties, excluding tonarie Yamatotakada, tonarie Toga-Mikita, and LIFE Daisen (leasehold land), for which the figures as of October 31, 2019 are presented.

<sup>\*3</sup> The appraisal NOI yield represents the ratio of net operating income used for the first period in the DCF analysis in the appraisal report for the property acquired at its acquisition price that is rounded off at the second decimal place. However, for tonarie Yamatotakada and tonarie Toga-Mikita, the figure represents the value calculated by dividing net operating income for the first period in the DCF analysis on the assumption of full ownership in the appraisal report by double the acquisition price in consideration of quasi co-ownership with 50% real estate trust beneficial interests.

<sup>\*4</sup> The number of tenants represents the total number of lease agreements concerning buildings or leasehold land of the acquired property as of October 31, 2019. For any acquired property for which a master lease contract has been concluded, it represents the total number of lease agreements with end tenants. For tonarie Yamatotakada and for tonarie Toga-Mikita, it shows the figure concerning the whole property.

<sup>\*5</sup> The total rentable area represents the total areas that are considered rentable according to lease agreements concerning buildings and leasehold land of the acquired property as of October 31, 2019, reports created by the property management company or building drawings and equivalent documents that is rounded off at the third decimal place. For tonarie Yamatotakada and for tonarie Toga-Mikita, it shows the figure concerning the whole property.



## 4. Earnings Forecast





# Forecast for 7th Fiscal Period (ending July 31, 2020)



As a result of the additional acquisition of three properties, distribution forecast is now higher by 28 yen (or 0.9%) than the initial forecast as of September 13, 2019.

## Forecast for 7th Fiscal Period (ending Jul. 31, 2020)

Units: million yen

	6th Fiscal Period Performance ended Jan. 31, 2020 (a)	7th Fiscal Period Forecast as at Sep. 13, 2019 (b)	7th Fiscal Period forecast as at Jan. 10, 2020 (c)	vs. previous period (c-a)	vs. forecast (c-b)
Operating revenues	1,544	1,540	1,901	356	360
Operating income	963	850	1,078	115	228
Ordinary income	883	771	929	45	157
Net income	882	770	928	45	157
DPU	3,728 yen	3,251 yen	3,279 yen	△449	28
Depreciation	84	84	123	39	38
NOI after depreciation	1,109	1,009	1,237	127	227
NOI yield after depreciation	5.2%*1	4.8%	4.8%*2	△0.5%	△0.1%
Number of operating days	184 days	182 days	182 days	△2 days	0 days

\*1 Property taxes and city planning taxes in FY2019 for 22 properties purchased during the 5th Fiscal Period were recorded on the book value and are not accounted for as an expense at the 5th and 6th fiscal period. Property taxes and city planning taxes will be accounted for as an expense from the 7th Fiscal Period (normalized period).

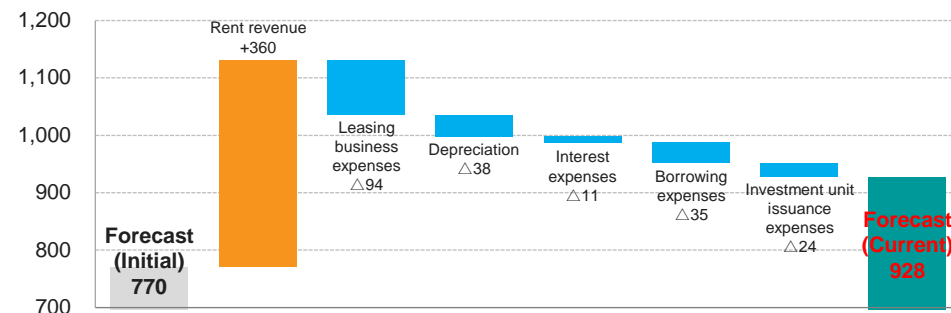
\*2 Property taxes on the three properties acquired in the 7th fiscal period for fiscal year 2020 are accounted for as book value at the time of purchase, and not as expenses. For the 7th and 8th fiscal periods, property taxes are not accounted for as expenses, and will be accounted for as expenses from the 9th fiscal period onwards (in the normalized period).

## Main reasons for fluctuation in net income (vs. forecast)

● Rent revenue	+360 million yen
● Leasing business expenses (excluding depreciation)	△94 million yen
● Increase in depreciation	△38 million yen
● Increase in interest expenses	△11 million yen
● Borrowing expenses	△35 million yen
● Investment unit issuance expenses	△24 million yen
● Others	0 million yen

First-PO  
(February 3, 2020)  
Additional acquisition of  
3 properties  
(February 4, 2020)

Unit: million yen





# Forecast for 8th Fiscal Period (ending January 31, 2021)



After the additional acquisition of three properties, distribution in the normalized period is expected to increase 4.3%.

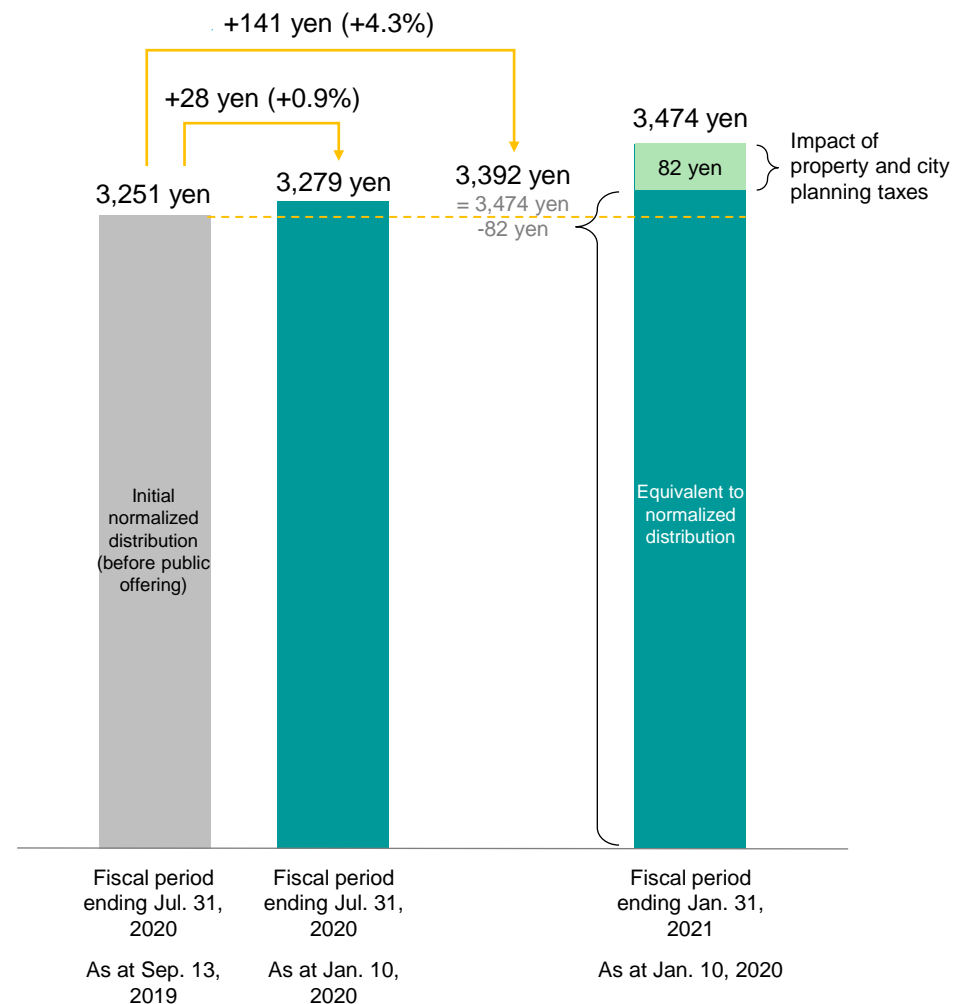
## Forecast for 8th Fiscal Period (ending Jan. 31, 2021)

Unit: million yen

	7th Fiscal Period forecast as at Jan. 10, 2020 (a)	8th Fiscal Period forecast as at Jan. 10, 2020 (b)	vs. forecast (b-a)
Operating revenues	1,901	1,930	29
Operating income	1,078	1,078	0
Ordinary income	929	983	54
Net income	928	982	54
DPU	3,279 yen	3,474 yen	195
Depreciation	123	124	1
NOI after depreciation	1,237	1,260	23
NOI yield after depreciation	4.8%	4.8%	0.0%
Number of operating days	182 days	184 days	2 days

\* Property taxes on the three properties acquired in the 7th fiscal period for fiscal year 2020 are accounted for as book value at the time of purchase, and not as expenses. For the 7th and 8th fiscal periods, property taxes are not accounted for as expenses, and will be accounted for as expenses from the 9th fiscal period onwards (in the normalized period).

## Growth of dividend by public offering







Effective use of land, invitation of and replacement with new tenants, rent revenues increased and many other methods led to a rise in rents and occupancy rates.

### Example of internal growth (Asumigaoka Brand-New Mall)

April 2018  
Sushiro invited to be a tenant at the parking lot (fixed-term business land lease right)



February 2019  
Sushiro invited to be a tenant at the parking lot (fixed-term business land lease rights)



November 2019  
Sports Club AXTOS invited



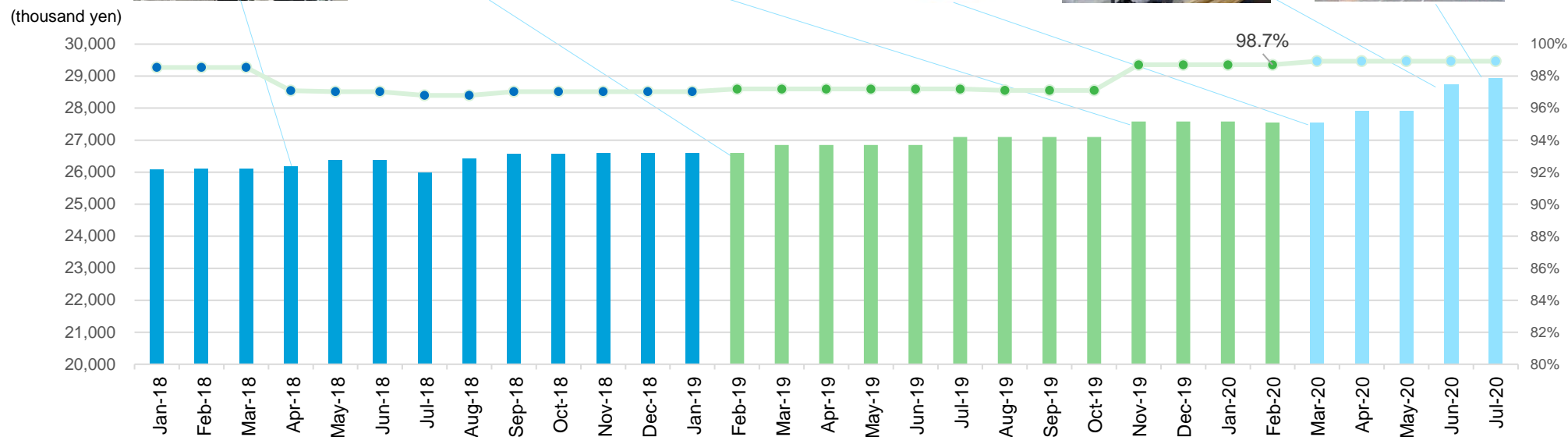
March 2020  
Wakuwaku Hiroba invited



June 2020  
Tenant running the bowling alley changed



July 2020  
Rents for key tenants increased



\* The diagram is based on rent receipts from tenants.

\* The property was owned by the sponsor in and before February 2019.

\* The figures for March 2020 and later represent forecast values.

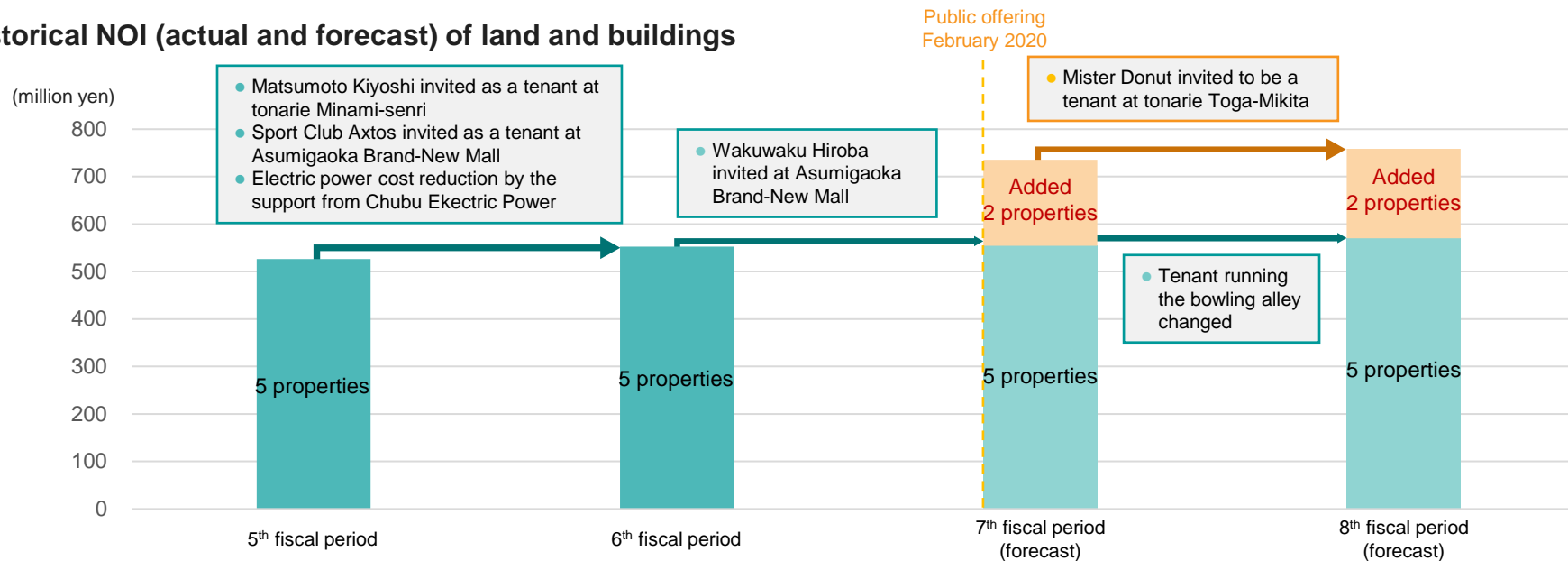
Fixed monthly rent

Occupancy Rate

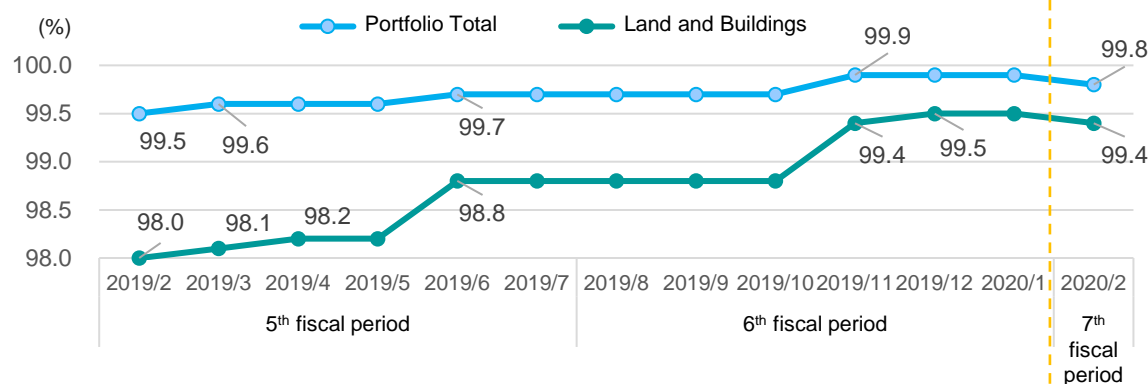


## Invitation and replacement of tenants and other actions accelerate internal growth

### Historical NOI (actual and forecast) of land and buildings



### Occupancy rate volatility



- Support from Chubu Electric Power is estimated to have an **electric power cost reduction effect of nearly 8%** on the assumption that the same electric power is used.
- After acquisition of tonarie Yamatotakada and tonarie Toga-Mikita in February 2020, the **most recent occupancy rate** of seven land and building properties (as of **February 2020**) was **99.4%**.

\* Operating days for 5<sup>th</sup> fiscal period is 169 days.

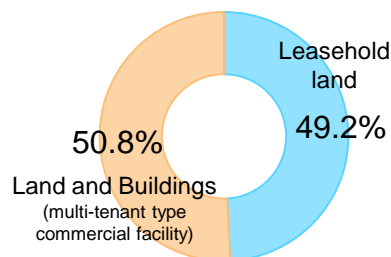
\* The occupancy rate of the whole portfolio includes that of leasehold land. The occupancy rate is 100% for all leasehold land properties.



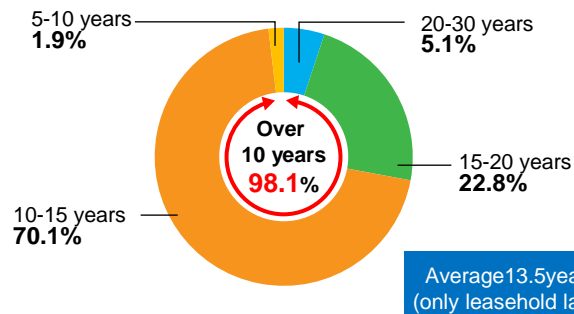
## A source of high stability of ESCON REIT

### Leasehold land

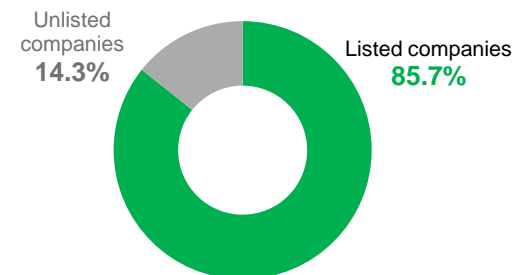
Asset type  
(based on acquisition price)<sup>\*1</sup>



Remaining lease term for leasehold land  
(based on leasable area)<sup>\*1</sup>

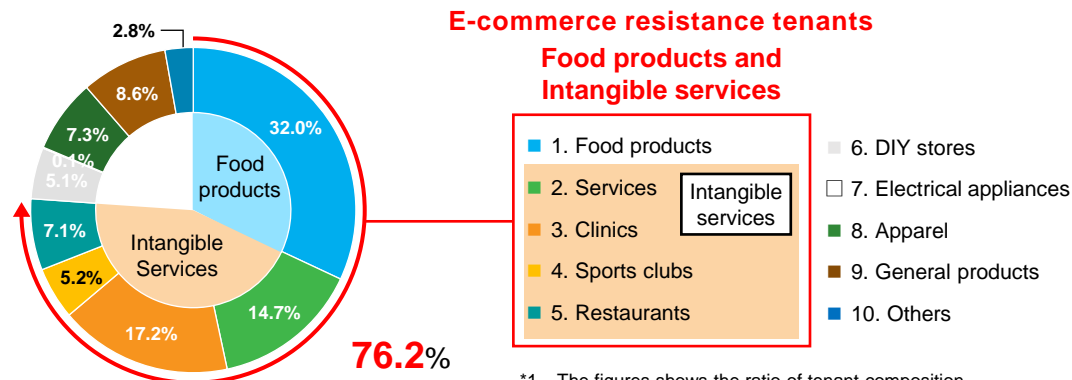


Leasehold land tenants  
(based on number of tenants)<sup>\*1</sup>



### Commercial facilities deep-rooted in local communities

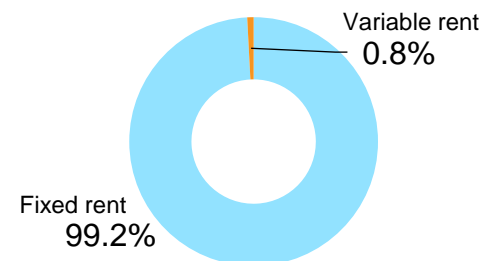
Tenant composition at seven land and building properties  
(based on rent and common charges)<sup>\*1</sup>



<sup>\*1</sup> The figures show the ratio of tenant composition as of February 29, 2020.

### Ratio between fixed and variable rents

Ratio between fixed and variable rents at 25 properties  
(based on rent revenues)<sup>\*2</sup>



<sup>\*2</sup> The diagram reflects actual figures including ground rent for the 6<sup>th</sup> fiscal period (ended January 2020).  
The variable rent includes rent linked with event revenues and sales.



## 5. Growth Strategy





ESCON REIT will enhance its support system, including the provision of warehousing functions based on the support agreement with Chuden Real Estate.

## Support from sponsor and support companies

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

### Sponsor support agreement

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



- Asset recycling through redevelopment support
- Offering of pipeline information

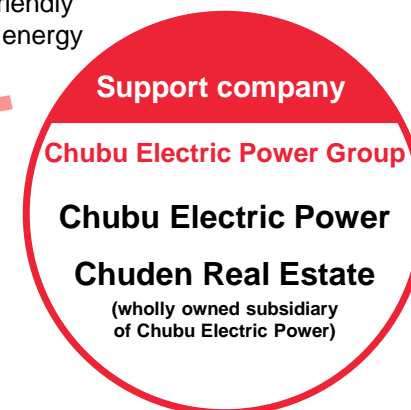


- Loaning to Chuden Real Estate

Implementation of joint projects in the real estate business

### Support agreement

- Consideration of same-boat investment
- Asset warehousing

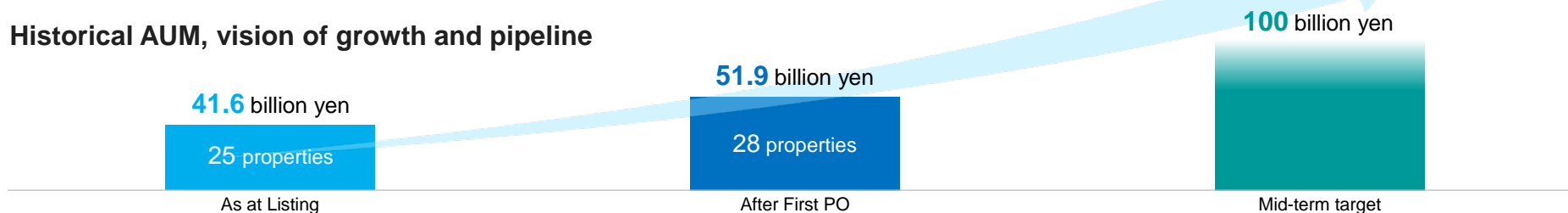


- Offering knowhow on environmentally friendly technologies and energy cost cuts
- Offering of pipeline information



After completion of the first public offering after the listing, ESCON REIT will move towards an AUM target of 100 billion yen.

### Historical AUM, vision of growth and pipeline



### Current pipeline (Granting Right to purchase/Preferential negotiation rights) 14properties



Chuden Real Estate (Warehousing)  
TRIAL Omihachiman  
(Leasehold land)



Chuden Real Estate (Warehousing)  
Drug Yutaka Mukokamiueno  
(Leasehold land)



Welcia Mukomotomachi  
(Leasehold land)



Chuden Real Estate (Warehousing)  
tonarie Yamatotakada  
(Ownership 50%)



Chuden Real Estate (Warehousing)  
tonarie Toga Mikita  
(Ownership 50%)



KoLuTeNa I



Soyoka Fujimino



Kusuri no Aoki Ikaruga  
(Leasehold land)



株式会社  
日本エスコン  
IDEAL to REAL

Other 6 properties  
Leaseholdland:3properties  
Land&Buildings:3properties

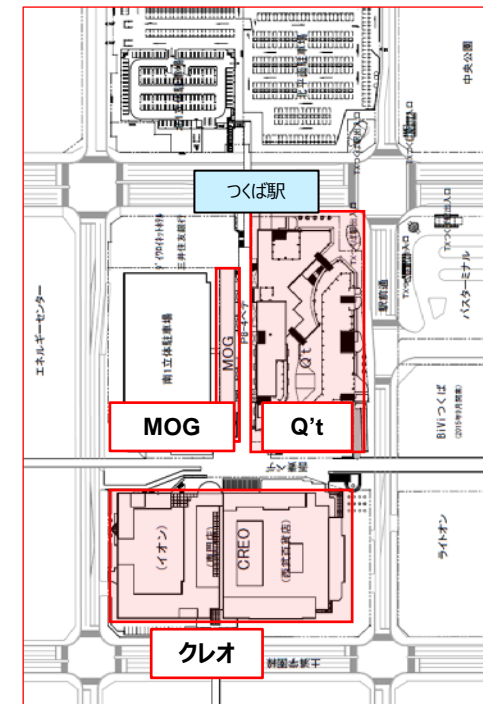




**ESCON REIT aims for stable growth by continually acquiring properties based on the sponsor's commercial development.**

### Tsukuba Project (property with preferential negotiation rights)

- Under the circumstances in which new urban development and revitalization in the district around Tsukuba Station was needed after successive closedowns of large commercial facilities near the station, namely Seibu Tsukuba (department store) in February 2017 and Aeon Tsukuba Ekimae (GMS) in January 2018, ESCON REIT's sponsor, ES-CON Japan, acquired Tsukuba Creo in March 2019 in addition to the adjacent Tsukuba Q't and Tsukuba MOG in December 2018.
- Harnessing the strengths of a transport hub (Tsukuba Station) and the ease of getting around the district which is linked to the station with a pedestrian deck, the Sponsor is integrating the three facilities into one attractive facility offering a mix of business formats and stores that meet market needs as a development deeply rooted in the local community.
- The former Seibu store will be renovated and reborn as a new facility and the building of the former AEON store will be demolished to make space for a condominium development.



## 6. Financial Strategy





Achieving stable financial management, ESCON REIT acquired a new R&I rating of A- (stable).

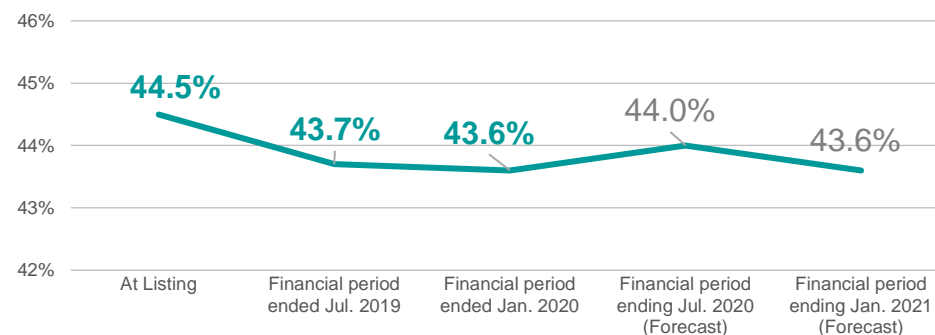
### Acquisition of Issuer Rating by R&I

**[A-] (stable)**

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

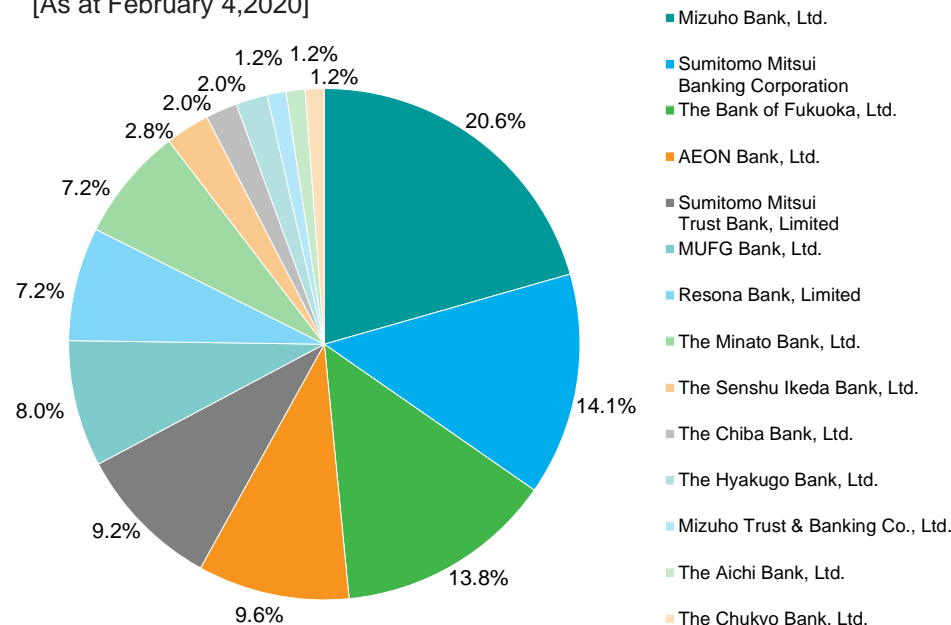
The Rating Outlook is Stable. Given the stable portfolio consisting of commercial facilities and leasehold land for which steady demand can be expected in large metropolitan areas, there are few factors that could cause earnings volatility in the medium term. Leverage is relatively low, and sufficient profitability is ensured. R&I will keep an eye on developments in external growth that capitalizes on the sponsor's pipeline, accumulation of experience in management, and improvement in funding terms.

### LTV Control



### Lender Mix

[As at February 4, 2020]



### Financial Highlights

[As at February 4, 2020]

**Total interest-bearing debt**

**25**  
billion yen

**Average remaining term**

**2.8**  
years

**Average Interest Rate**

**0.50%**

**Ratio of long-term borrowings**

**98.5%**



## 7. ESG Strategy



**Strongly aware of commercial facilities' roles in communities, ESCON REIT will continue its positive ESG initiatives.**

## E Environment

- Energy saving initiatives and installation of LED lighting in common areas for Asumigaoka Brand-New Mall and 4 properties of tonarie.
- Planning to introduce a groundwater membrane filtration system to Asumigaoka Brand-New Mall.
  - (1) Securing a water supply channel in the event of a disaster to improve business continuity
  - (2) Offering drinking water to local inhabitants for free in the event of a disaster
  - (3) Reducing public water supply consumption using the groundwater membrane filtration system



tonarie



## S Social

- Revitalizing communities and helping create communities by running *tonarie* lifestyle-focused commercial facilities
- tonarie Seiwadai**
- Free circular bus service for local residents provided and operated by a local social welfare corporation
  - Launched a trial shopping taxi service and Hosting open-air concerts
  - Certified as dementia-friendly shopping center
- tonarie Yamatotakada**
- Holding events where *mochi* rice cakes are offered and concerts are hosted
- tonarie Minami-senri**
- Recycling plastic bottle caps to help fund vaccines for children
  - Participation in Eye City Eco Project ; a recycling project for contact lens cases
- Promotion of Female Participation and Career Advancement in Workplace**
- Providing a workplace environment prioritized to Work life balance (50% for fulltime female employment)



## G Governance

- The sponsor participates in strengthening the ESG management implementation system. (As of September 2019, it became Japan's first operating company to have acquired Green Star and 2 Star ratings in GRESB Real Estate Developer Assessment.)
- Alignment of interests of the Sponsor and asset manager with the interests of unitholders
  - (1) Same-boat investment by the sponsor's group, (2) launch of a unitholders' association system, and (3) management fee structure linked to profits





## 8. Status of Unitholders

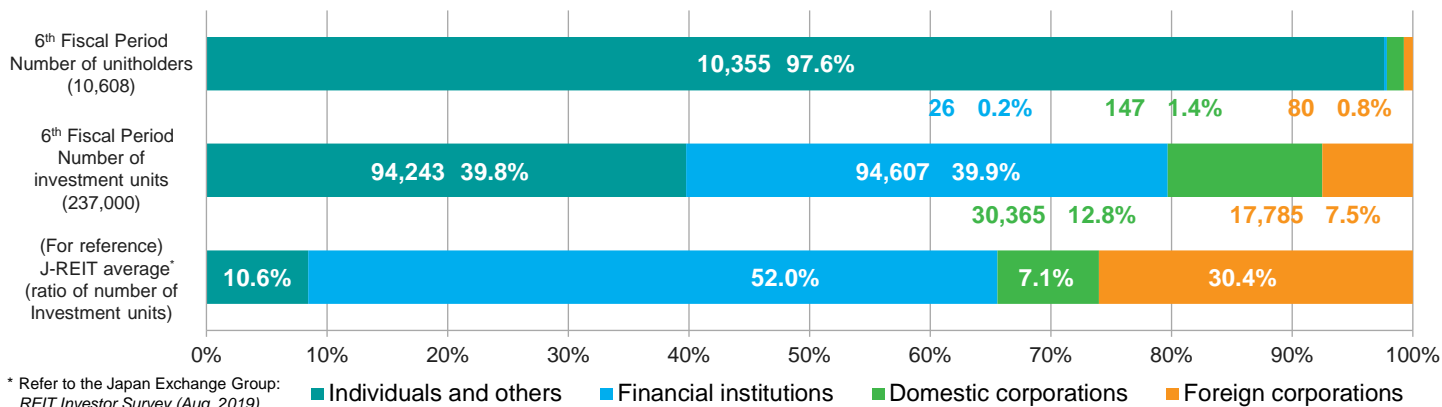




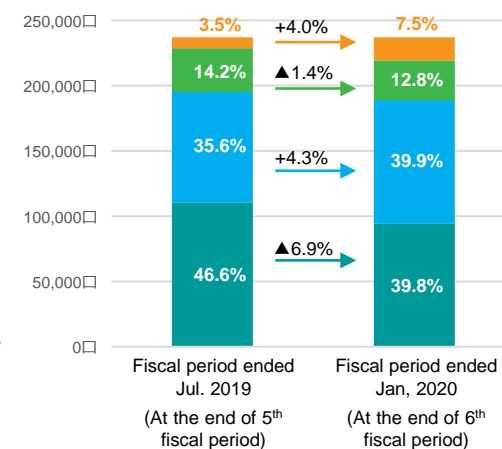
# Status of Unitholders as at January 31, 2020

In addition to same-boat investment by Sponsor, ESCON REIT is highly trusted by the financial institutions that has close relations with.

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



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



## Top ten unitholders

Name	Number of units held	Ownership ratio
1. Osaka Kosei Shinkin Bank	20,200	8.5%
2. The Master Trust Bank of Japan, Ltd. (Trust account)	16,300	6.9%
3. Japan Trustee Services Bank, Ltd. (Trust account)	11,870	5.0%
4. ES-CON Japan Ltd.	11,284	4.8%
5. Osaka Shoko Shinkin Bank	10,025	4.2%

Name	Number of units held	Ownership ratio
6. NISSEI BUILD KOGYO CO., LTD.	9,190	3.9%
7. Daido Credit Association	5,158	2.2%
8. The Saikyo Bank, Ltd.	4,950	2.1%
9. Kinki Sangyo Credit Union	4,864	2.1%
10. The Nomura Trust and Banking Co., Ltd. (Investment trust account)	4,356	1.8%
<b>Total</b>	<b>98,197</b>	<b>41.4%</b>

# Appendix





Unit: 1,000 yen	5 <sup>th</sup> fiscal period ended July 31, 2019	6 <sup>th</sup> fiscal period ended January 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	1,130,148	1,362,862
Cash and deposits in trust	2,042,721	2,035,286
Operating accounts receivable	29,468	24,539
Prepaid expenses	40,415	38,315
Other	129	63
Total current assets	3,242,882	3,461,066
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	5,148,577	5,171,132
Accumulated depreciation	△106,999	△187,549
Buildings, net	5,041,578	4,983,582
Structures in trust	128,715	128,715
Accumulated depreciation	△7,240	△10,635
Structures, net	121,475	118,080
Tools, furniture and fixtures in trust	-	5,368
Accumulated depreciation	-	△417
Tools, furniture and fixtures in trust, net	-	4,951
Land in trust	36,837,448	36,837,448
Total property, plant and equipment	42,000,502	41,944,061
Intangible assets		
Trademarks	933	879
Other	7,517	6,700
Total intangible assets	8,450	7,579
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	62,012	46,686
Deferred tax assets	-	1
Total investments and other assets	72,012	56,687
Total noncurrent assets	42,080,965	42,008,328
Deferred assets		
Organization expenses	22,745	17,059
Total deferred assets	22,745	17,059
Total assets	45,346,593	45,486,454

Unit: 1,000 yen	5 <sup>th</sup> fiscal period ended July 31, 2019	6 <sup>th</sup> fiscal period ended January 31, 2020
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	55,705	60,331
Accounts payable - other	110,722	47,695
Accrued expenses	35,350	100,334
Income taxes payable	605	624
Accrued consumption tax, etc.	13,691	13,343
Advances received	209,823	214,590
Deposits received	72	72
Total current liabilities	425,971	436,993
Noncurrent liabilities		
Long-term borrowings	19,820,000	19,820,000
Tenant lease and guarantee deposits in trust	1,486,733	1,404,497
Total noncurrent liabilities	21,306,733	21,224,497
Total liabilities	21,732,705	21,661,490
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	22,941,238	22,941,238
Surplus		
Unappropriated retained earnings (undisposed loss)	672,649	883,725
Total surplus	672,649	883,725
Total unitholders' equity	23,613,887	23,824,964
Total net assets	23,613,887	23,824,964
Total liabilities and net assets	45,346,593	45,486,454





# Profit and Loss Statement



Unit: 1,000 yen

	5 <sup>th</sup> fiscal period ended July 31, 2019	6 <sup>th</sup> fiscal period ended January 31, 2020
Operating revenues		
Rent revenue-real estate	1,299,519	1,381,840
Other lease business revenue	135,030	162,247
Total operating revenue	1,434,550	1,544,087
Operating expenses		
Expenses related to rent business	384,663	434,141
Asset management fee	23,681	84,482
Asset custody fee	1,987	2,269
Administrative service fees	7,626	9,945
Directors' compensation	3,000	3,000
Taxes and public dues	11,281	7,324
Other operating expenses	14,622	39,451
Total operating expenses	446,863	580,615
Operating income	987,686	963,472
Non-operating income		
Interest income	8	12
Interest on tax refund	306	-
Total non-operating income	315	12
Non-operating expenses		
Interest expenses	47,883	52,123
Interest expenses on investment corporation bonds	430	-
Borrowing related expenses	202,635	20,919
Amortization of organization expenses	5,686	5,686
Investment unit issuance expenses	58,358	-
Investment corporation bond issuance costs	966	1,159
Total non-operating expenses	315,962	79,888
Ordinary income	672,040	883,596
Income before income taxes	672,040	883,596
Income taxes-current	605	626
Income taxes adjustment	-	△1
Total income taxes	605	625
Net income	671,435	882,971
Retained earnings bought forward	1,214	754
Unappropriated retained earnings (undisposed loss)	672,649	883,725

# Income and Expenditure & Appraisal Value (as at the End of 6th Fiscal Period)

Property number	1 (ST- 2)	2 (ST- 2)	3 (SS- 1)	4 (SS- 2)	5 (SS- 3)	6 (KT- 1)	7 (KT- 2)	8 (KS- 1)
Property name	Asumigaoka Brand-New Mall	Nishi-shiroi Ekimae Plaza	K's Denki Oyumino	Nitori Tsuchiura (Leasehold land)	Nitori Imaichi (Leasehold land)	tonarie Minami-senri	tonarie Seiwadai	LAMU Kitatsumori (Leasehold land)
Number of days of operation	184 days	184 days	184 days	184 days	184 days	184 days	184 days	184 days
Age of buildings (year)	19.4	19.8	-	-	-	15.3	12.3	-
Operating revenues	236,784	20,437	70,570	Not disclosed	Not disclosed	322,551	188,057	38,148
Rent revenue-real estate	170,044	16,999	70,570			266,683	153,430	38,148
Other lease business revenue	66,740	3,437	-			55,867	34,626	-
Expenses related to rent business	120,738	5,671	550			134,882	60,533	6,986
Taxes and public dues	-	-	-			23,409	-	6,236
Management fees	31,640	2,100	300			52,819	25,220	500
Insurance premium	560	171	-			334	409	-
Repair & maintenance	13,596	196	-			6,709	4,023	-
Other lease business expenses	74,940	3,203	250			51,610	30,880	250
Leasing NOI	116,046	14,765	70,020			187,668	127,523	31,162
Depreciation	17,199	800	-			13,353	24,278	-
Operating income	98,847	13,965	70,020			174,315	103,244	31,162
Book value at end of fiscal period	3,243,167	455,257	2,737,549	1,007,414	368,224	7,204,733	3,299,154	1,284,444
NOI yield before depreciation <sup>*1</sup>	7.1%	6.4%	5.1%	5.4%	6.2%	5.2%	7.7%	4.8%
NOI yield after depreciation <sup>*1</sup>	6.0%	6.1%	5.1%	5.4%	6.2%	4.8%	6.2%	4.8%
Property number	9 (KS- 2)	10 (KS- 3)	11 (KS- 4)	12 (TT- 1)	13 (TS- 1)	14 (FS- 1~11)	15 (OS- 1)	Total / Average
Property name	K's Denki Nishikobe (Leasehold land)	Sanyo Marunaka (Leasehold land)	Tsutaya Sakai-minami (Leasehold land)	Pare Marche Nishiharu	MaxValu Kikyogaoka-higashi (Leasehold land)	Fukuoka Kasuga Project (Leasehold land)	K's Denki Kurashiki (Leasehold land)	
Number of days of operation	184 days	184 days	184 days	184 days	184 days	184 days	184 days	
Age of buildings (year)	-	-	-	25.4	-	-	-	18.4 (平均)
Operating revenues	62,176	Not disclosed	21,600	171,128	Not disclosed	266,315	1,544,087	1,544,087
Rent revenue-real estate	62,176		21,600	169,560		266,315	1,381,840	1,381,840
Other lease business revenue	-		-	1,568		-	162,247	162,247
Expenses related to rent business	750		568	9,660		3,542	349,778	349,778
Taxes and public dues	-		-	0		-	32,246	32,246
Management fees	500		300	5,751		1,980	123,111	123,111
Insurance premium	-		-	875		-	2,352	2,352
Repair & maintenance	-		-	542		-	25,067	25,067
Other lease business expenses	250		268	2,489		1,562	166,999	166,999
Leasing NOI	61,426		21,031	161,468		262,773	1,194,309	1,194,309
Depreciation	-		-	28,731		-	84,363	84,363
Operating income	61,426		21,031	132,737		262,773	1,109,946	1,109,946
Book value at end of fiscal period	2,154,463	1,443,034	955,939	4,633,830	483,542	10,537,198	2,136,105	41,944,061
NOI yield before depreciation <sup>*1</sup>	5.7%	4.5%	4.4%	6.9%	6.3%	4.9%	4.9%	5.6%
NOI yield after depreciation <sup>*1</sup>	5.7%	4.5%	4.4%	5.7%	6.3%	4.9%	4.9%	5.2%

	Property name	Acquisition price Feb. 13, 2019	Appraisal value		Difference (B) - (A)	NOI yield before depreciation <sup>*2</sup>	NOI yield after depreciation <sup>*2</sup>
			Jul. 31, 2019 (A)	Jan. 31, 2020 (B)			
1	Asumigaoka Brand-New Mall	3,200,000	3,310,000	3,310,000	0	6.1%	5.0%
	Asumigaoka Sushiro leasehold land		149,000	150,000	1,000		
	Asumigaoka McDonald's leasehold land		136,000	136,000	0		
2	Nishi-shiroi Ekimae Plaza	451,000	460,000	460,000	0	5.7%	5.3%
3	K's Denki Oyumino (Leasehold land)	2,710,000	2,860,000	2,860,000	0	4.7%	4.7%
4	Nitori Tsuchiura (Leasehold land)	999,477	1,080,000	1,080,000	0	5.4%	5.4%
5	Nitori Imaichi (Leasehold land)	363,362	404,000	405,000	1,000	6.0%	6.0%
6	tonarie Minami-senri	7,200,000	7,870,000	7,870,000	0	5.2%	4.9%
7	tonarie Seiwadai	3,290,759	3,400,000	3,400,000	0	5.9%	4.4%
8	LAMU Kitatsumori (Leasehold land)	1,270,000	1,480,000	1,480,000	0	4.9%	4.9%
9	K's Denki Nishikobe (Leasehold land)	2,133,429	2,470,000	2,470,000	0	5.3%	5.3%
10	Sanyo Marunaka Mitani (Leasehold land)	1,430,000	1,510,000	1,510,000	0	4.4%	4.4%
11	Tsutaya Sakai-minami (Leasehold land)	946,000	999,000	1,010,000	11,000	4.1%	4.1%
12	Pare Marche Nishiharu	4,610,000	4,670,000	4,670,000	0	5.8%	4.6%
13	MaxValu Kikyogaoka-higashi (Leasehold land)	477,767	534,000	534,000	0	6.0%	6.0%
14	MrMAX Kasuga (Leasehold land)	3,387,444	3,830,000	3,870,000	40,000	4.4%	4.4%
15	UNIQLO Kasuga (Leasehold land)	595,000	648,000	654,000	6,000	4.0%	4.0%
16	Avail.Shimamura Kasuga (Leasehold land)	863,387	1,080,000	1,090,000	10,000	4.8%	4.8%
17	au-Softbank Kasuga (Leasehold land)	143,560	158,000	160,000	2,000	4.6%	4.6%
18	Kura Sushi Kasuga (Leasehold land)	261,340	299,000	301,000	2,000	4.8%	4.8%
19	docomo Shop Kasuga (Leasehold land)	160,900	179,000	181,000	2,000	4.7%	4.7%
20	Konpira Maru Kasuga (Leasehold land)	236,360	262,000	264,000	2,000	4.7%	4.7%
21	One-Karubi Kasuga (Leasehold land)	236,360	262,000	265,000	3,000	4.7%	4.7%
22	Suke-san Kasuga (Leasehold land)	401,000	418,000	421,000	3,000	4.5%	4.5%
23	NAFCO Kasuga (Leasehold land)	2,631,500	3,300,000	3,360,000	60,000	4.5%	4.5%
24	K's Denki Kasuga (Leasehold land)	1,487,390	1,790,000	1,820,000	30,000	4.4%	4.4%
25	K's Denki Kurashiki (Leasehold land)	2,121,000	2,430,000	2,430,000	0	5.0%	5.0%
Total		41,607,038	45,988,000	46,161,000	173,000	5.1%	4.7%

\*1 NOI yields before and after depreciation represent ratios against the book value at the end of the fiscal period.

\*2 Appraisal NOI yields before and after depreciation represent ratios against the acquisition price.

# Portfolio / as at the End of February 2020



No.	Property name	Area	Location	Asset type	# of tenants	Acquisition price (million yen)	Appraisal value (million yen)
1 (ST-1)	Asumigaoka Brand-New Mall	Tokyo metropolitan area	Chiba-shi, Chiba	Land + building	30	3,200	3,596
2 (ST-2)	Nishi-shiroi Ekimae Plaza	Tokyo metropolitan area	Shiroi-shi, Chiba	Land + building	4	451	460
3 (SS-1)	K's Denki Oyumino (Leasehold land)	Tokyo metropolitan area	Chiba-shi, Chiba	Leasehold land	1	2,710	2,860
4 (SS-2)	Nitori Tsuchiura (Leasehold land)	Tokyo metropolitan area	Tsuchiura-shi, Ibaraki	Leasehold land	1	999	1,080
5 (SS-3)	Nitori Imaichi (Leasehold land)	Tokyo metropolitan area	Nikko-shi, Tochigi	Leasehold land	1	363	405
6 (KT-1)	tonarie Minami-senri	Kinki metropolitan area	Suita-shi, Osaka	Land + building	45	7,200	7,870
7 (KT-2)	tonarie Seiwadai	Kinki metropolitan area	Kawanishi-shi, Hyogo	Land + building	34	3,290	3,400
8 (KT-3)	tonarie Yamatotakada (ownership 50%)	Kinki metropolitan area	Yamatotakada-shi, Nara	Land + building	64	4,150	4,205
9 (KT-4)	tonarie Toga・Mikita (ownership 50%)	Kinki metropolitan area	Sakai-shi, Osaka	Land + building	31	3,490	3,555
10 (KS-1)	LAMU Kitatsumori (Leasehold land)	Kinki metropolitan area	Osaka-shi, Osaka	Leasehold land	1	1,270	1,480
11 (KS-2)	K's Denki Nishikobe (Leasehold land)	Kinki metropolitan area	Kobe-shi, Hyogo	Leasehold land	1	2,133	2,470
12 (KS-3)	Sanyo Marunaka Mitani (Leasehold land)	Kinki metropolitan area	Kobe-shi, Hyogo	Leasehold land	1	1,430	1,510
13 (KS-4)	Tsutaya Sakai-minami (Leasehold land)	Kinki metropolitan area	Sakai-shi, Osaka	Leasehold land	1	946	1,010
14 (KS-5)	LIFE Daisen (Leasehold land)	Kinki metropolitan area	Sakai-shi, Osaka	Leasehold land	1	2,733	3,050
15 (TT-1)	Pare Marche Nishiharu	Chukyo metropolitan area	Kitanagoya-shi, Aichi	Land + building	57	4,610	4,670
16 (TS-1)	MaxValu Kikyogaoka-higashi (Leasehold land)	Chukyo metropolitan area	Nabari-shi, Mie	Leasehold land	1	477	534
17 (FS-1~11)	Fukuoka Kasuga Project (Leasehold land)	Fukuoka metropolitan area	Kasuga-shi, Fukuoka	Leasehold land	11	10,404	12,386
18 (OS-1)	K's Denki Kurashiki (Leasehold land)	Other area	Kurashiki-shi, Okayama	Leasehold land	1	2,121	2,430
					<b>286</b>	<b>51,980</b>	<b>56,971</b>

## Point 1

Of the commercial facilities which account for 100% of the total portfolio (land + building or leasehold land), roughly 49% are leasehold land assets

## Point 2

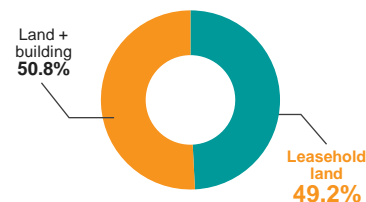
Approx. 95% of all portfolio assets are located in four major metropolitan areas.

## Point 3

More than two-thirds of the portfolio asset were developed or rebranded by the sponsor.

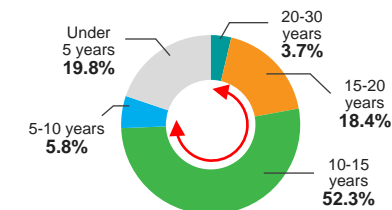
## Asset type

Based on acquisition price



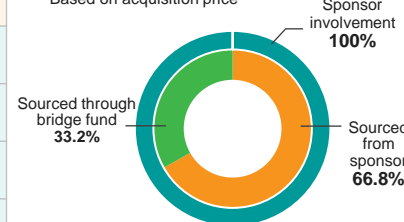
## Remaining lease term

Based on leasable area



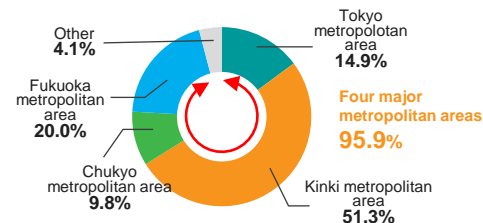
## Sourcing channel

Based on acquisition price



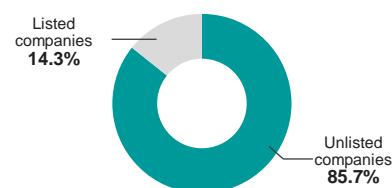
## Geographical diversification

Based on acquisition price



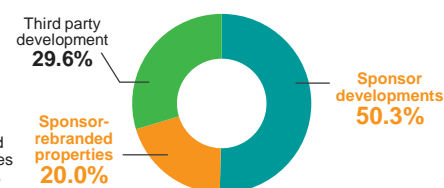
## Leasehold land tenants

Based on number of tenants



## Ratio of Sponsor-developed properties

Based on acquisition price

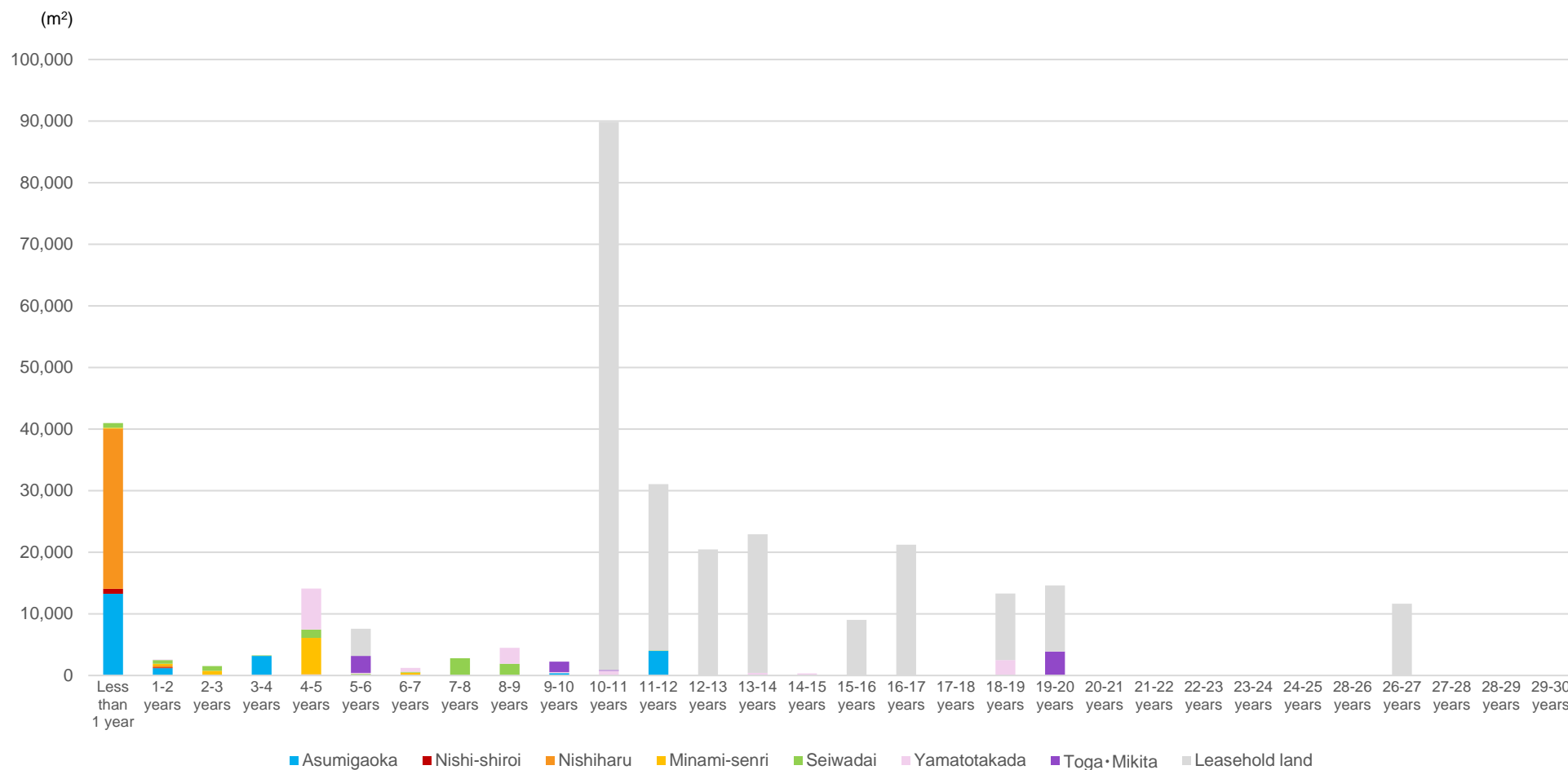


\* Sponsor-developed properties refer to land or buildings purchased by the sponsor either directly or through TK equity, and has either converted the land into leasehold land or has constructed a building and found a tenant for it.





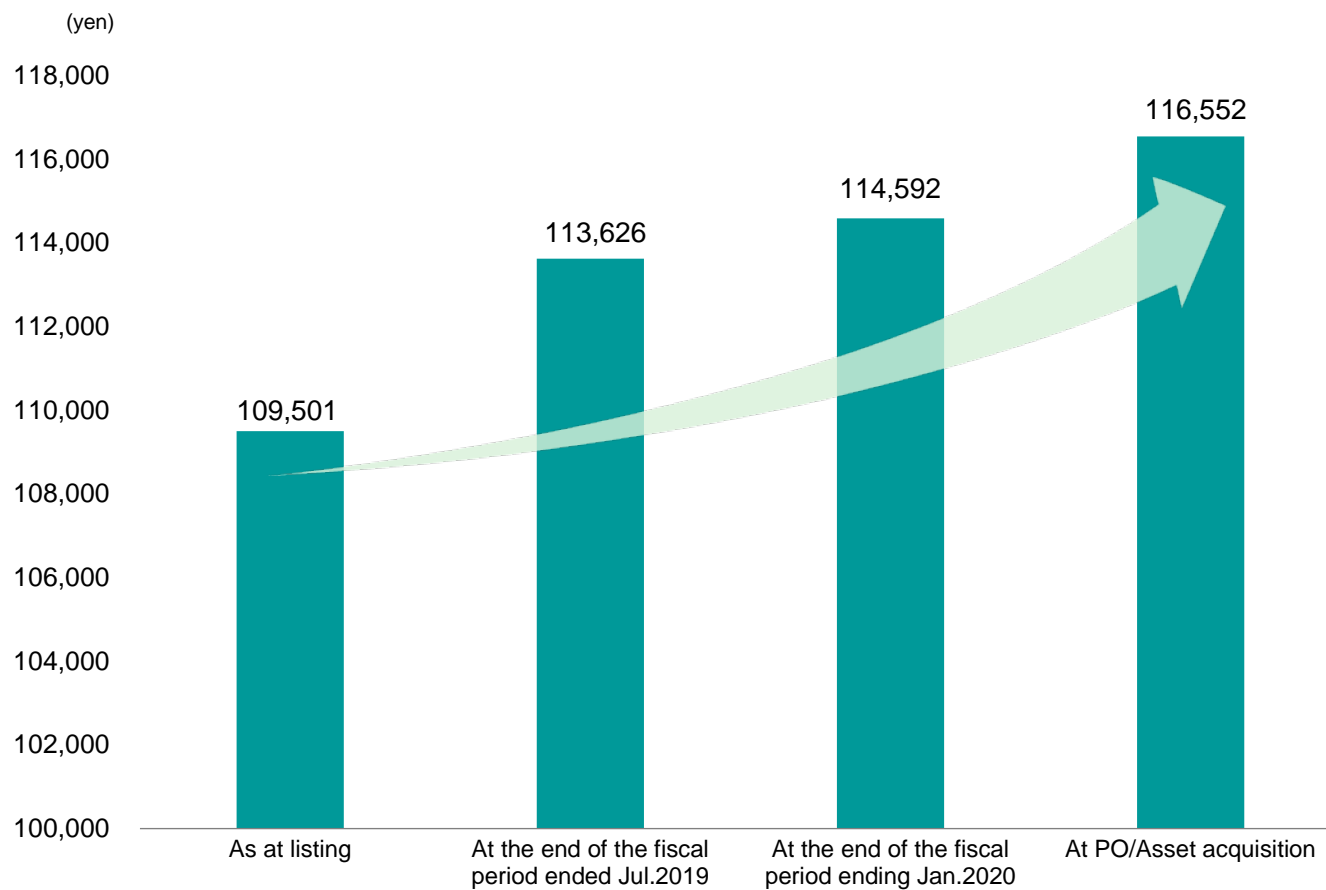
## Remaining lease term (based on leasable space)



\* The figures show the remaining lease term as of February 29, 2020.



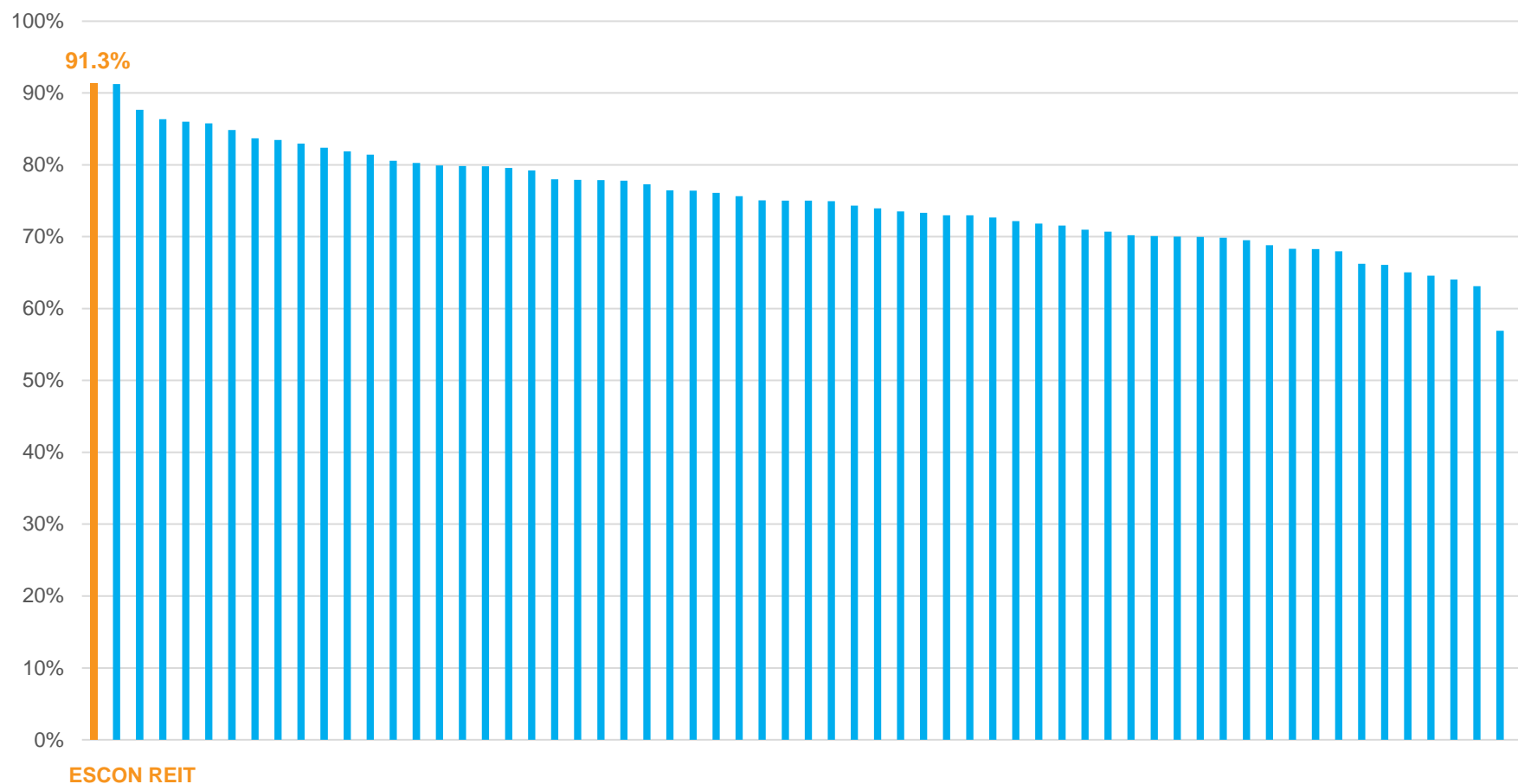
## NAV per unit



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



## FFO Payout ratio



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

\*2 Excluding J-REITs that have yet to financial results.

\*3 Based on book value as at Jan 31, 2020. Property taxes and city planning taxes in FY2019 for 22 properties purchased during the 5th Fiscal Period were recorded on the book value at the time of purchase and are not accounted for as an expense.





## Outline of ES-CON JAPAN

Company name	ES-CON JAPAN Ltd.
Representative	Takatoshi Ito, President and Representative Director
Established	April 18, 1995
Capital	6,275 million yen (as of Dec. 31, 2019)
Number of employees	234 (consolidated, as of Dec. 31, 2019)
Net sales	72,106 million yen (fiscal year ended Dec. 31, 2019)
Listed market	First Section of the Tokyo Stock Exchange

## Third Medium-Term Management Plan: Management Strategy

(Fiscal period ending Dec. 2020~Dec. 2022)

1. Management stability and sustainable growth
  - (1) Diversify businesses
    - i) Diversify development businesses and make them core businesses
    - ii) Diversify business areas
  - (2) Stabilize revenue structure by securing stock revenue bases
    - i) Strengthen real estate leasing business by development and possession of revenue-generating properties
    - ii) Strengthen real estate operation business revenue
  - (3) Exert synergistic effects with the Chubu Electric Power Group
 Engage in large development and other joint projects, and research development of next-generation condominiums
  - (4) External growth of ESCON JAPAN REIT Investment Corporation (EJR)
    - i) Steady mutual growth as sponsor of EJR
    - ii) Mutual growth through collaboration with the Chubu Electric Power Group (supporter of EJR)
2. Address social issues through promotion of ESG initiatives
3. Return to shareholders

## Recent development cases of ES-CON JAPAN

### Commercial development business



Oh ! Me OtsuTerrace (Otsu, Shiga)



tonarie Utsunomiya (Utsunomiya-shi, Tochigi)

### Logistics development business



LOGITRES Tojo (Kato-shi, Hyogo)

### Land readjustment business

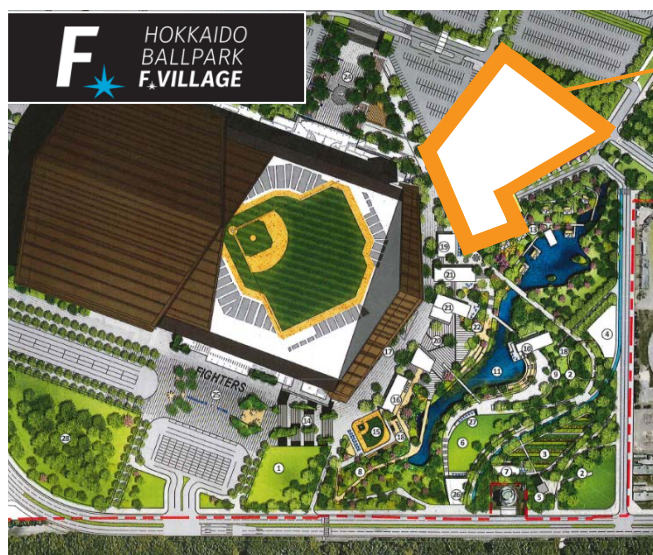


Koga Genboen Land Readjustment Project (Koga-shi, Fukuoka)



Naming rights acquired for the Hokkaido Nippon-Ham Fighters' new stadium; new stadium named **ES CON FIELD HOKKAIDO**

Contract period	Long-term contract of 10 years or more starting January 2020
Business partners	Hokkaido Nippon-Ham Fighters Baseball Club Co., Ltd. Fighters Sports & Entertainment Co., Ltd.
Main rights	(1) New stadium naming rights and promotion rights → Right to use logo, right to create video introducing the new stadium for publicity purposes and other design rights, right to put up outdoor advertising (including overseas), etc. (2) Development rights in the ballpark area as a business partner, etc. → Right to acquire land in the ballpark area and conduct hotel business



Planned site for hotel and other real estate developments

ES-CON JAPAN plans to be involved in various real estate development projects including a hotel and contribute to urban development on an approximately 9,400 square-meter site that is adjacent to the stadium (FVILLAGE).

→ ES-CON JAPAN will take part in sports and cultural promotion initiatives and contribute to the Hokkaido region's vitality and development.



Rendering of new stadium when completed





## Outline of Chubu Electric Power

Name	Chubu Electric Power Co., Inc.
Representative	President and Director, Satoru Katsuno
Established	May 1, 1951
Capital	430.7 billion yen (as of March 31, 2019)
Number of employee	30,321 (as of March 31, 2019)
Net sales	303.5 billion yen (Fiscal year ended March 31, 2019)
Listed market	First Section of the Tokyo Stock Exchange

## Outline of Chuden Real Estate

Name	Chuden Real Estate Co., Inc.
Representative	President and Representative Director Yutaka Watanabe
Established	April 20, 1957
Capital	100 million yen (as of July 1, 2019)
Number of employee	622 (as of July 1, 2019)
Shareholder	Chubu Electric Power Co., Inc. (100%) (as of July 1, 2019)

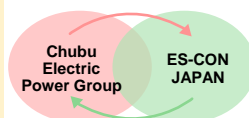
## Progress of capital and business partnership with Chubu Electric Power Co., Ltd.

In August 2018, we concluded a capital and business partnership agreement with Chubu Electric Power, becoming an equity method affiliate of Chubu Electric Power (which holds 33.3% of voting rights of our company).

Demonstrating synergies through the capital and business partnership with Chubu Electric Power Group

### The capital and business partnership with Chubu Electric Group

	<b>Promoting joint projects</b>	Nagoya Shirakabe Project conducted jointly with Chuden Real Estate
	<b>Mutually complementary business area</b>	Nagoya Office opened in March 2019. Business developed in both regions (Chubu and Kansai)
	<b>Making effective use of real estate owned by Chubu Electric Power Group</b>	<ul style="list-style-type: none"> <li>Large-scale urban development backed by the overwhelming credibility and customer base of the Chubu Electric Group</li> <li>Promotion of next-generation condominium research and development utilizing the living environment, energy, AI, and other technologies</li> </ul>
	<b>Joint research and implementation of next generation smart houses, connected homes, etc.</b>	
	<b>Prospective buyers for our real estate development projects</b>	Sale of properties owned by the Company to Chuden Real Estate through warehousing method
	<b>Exchange of human resources</b>	Two of the Company's employees were seconded to Chuden Real Estate from April 2019, and one person from Chubu Electric was named director in March 2019. Chuden Real Estate employees seconded to the Group for training
	<b>Respect for autonomy</b>	Continued business development utilizing the Company's characteristic speed







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