

Financial Report for the Fiscal Period Ended January 31, 2021 (REIT)

March 12, 2021

REIT Issuer:	ESCON JAPAN REIT Investment Corporation	Stock Exchange Listing: TSE
Securities Code:	2971	URL: https://www.escon-reit.jp/
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): April 27, 2021

Scheduled date of commencement of distribution payments: April 20, 2021

Supplementary materials: Yes

IR Conference: Yes(For institutional investors and analysts)

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets for the Fiscal Period Ended January 31, 2021 (from August 1, 2020 to January 31, 2021)

(1) Management

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FP2021/1	1,922	1.1	1,111	0.1	1,019	5.0	1,018	5.0
FP2020/7	1,902	23.2	1,110	15.3	971	9.9	970	9.9

	Net income per unit*	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
FP2021/1	3,599	3.5	1.8	53.0
FP2020/7	3,439	3.6	1.9	51.1

* Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (282,982 units for the fiscal period ended July 31, 2020, and 282,982 units for the fiscal period ended January 31, 2021).

(2) Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio*	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
FP2021/1	3,599	1,018	0	0	100.0	3.5
FP2020/7	3,430	970	0	0	100.0	3.4

*The payout ratio for the fiscal period ended July 31, 2020 is calculated using the following formula and rounded off to one decimal place due to changes in the number of investment units during the period following issuance of new investment units during the period.

$$\text{Payout ratio} = \text{Total distributions (excluding distribution in excess of earnings)} \div \text{Net income} \times 100$$

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
FP2021/1	56,132	29,458	52.5	104,099
FP2020/7	56,068	29,410	52.5	103,929

(4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
FP2021/1	1,203	(34)	(969)	3,764
FP2020/7	1,190	(10,231)	9,206	3,564

2. Management Status Forecasts for the Fiscal Period Ending July 31, 2021 (from February 1, 2021 to July 31, 2021), and the Fiscal Period Ending January 31, 2022 (from August 1, 2021 to January 31, 2022).

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
FP2021/7	1,908	(0.7)	1,084	(2.5)	989	(3.0)	988	(3.0)	3,492	0
FP2022/1	1,909	0.0	1,079	(0.4)	939	(5.0)	938	(5.1)	3,315	0

(Reference) Estimated net income per unit:

Estimated net income ÷ Estimated the number of investment units at end of period
FP2021/7: 3,491 yen FP2022/1: 3,315 yen

* Others

(1) Changes in Accounting Policies, Changes in Accounting Estimates, Restatements

- | | |
|---|----|
| (i) Changes in accounting policies accompanying amendments to accounting standards, etc.: | No |
| (ii) Changes in accounting policies other than (i): | No |
| (iii) Changes in accounting estimates: | No |
| (iv) Restatements | No |

(2) Total Number of Investment Units Issued and Outstanding

(i) Total number of investment units issued and outstanding at end of period (including own investment units):

FP2021/1:	282,982 units	FP2020/7:	282,982 units
FP2021/1:	0 units	FP2020/7:	0 units

(ii) Number of own investment units at end of period:

*For the number of investment units serving as the basis of calculation for net income per unit, refer to Notes to Per Unit Information on page 19.

(3) Rounding processing

Unless otherwise specified in this document, monetary figures are rounded down to the nearest whole unit and ratios are rounded off to the first decimal place.

* This financial report has not been subjected to audit procedures by a certified public accountant or audit firm.

* Special Note

(Caution Concerning Forward-Looking Statements, Etc.)

The outlook for management status and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are deemed reasonable by ESCON REIT. Accordingly, actual management status and other results may differ materially from these forward-looking statements due to a variety of factors. In addition, these forecasts do not intend to guarantee the amount of distribution.

For details on assumptions for the forecast figures above, refer to "Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending July 31, 2021 (from February 1, 2021 to July 31, 2021), and the Fiscal Period ending January 31, 2022 (August 1, 2021 to January 31, 2022) on page 6.

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1. Operations

(1) Operations

i. Overview of the Fiscal Period ended January 31, 2021

A. Brief background of the REIT

ESCON REIT was established on August 26, 2016, with ES-CON ASSET MANAGEMENT Ltd. (hereinafter the “Asset Manager”) as the organizer, based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended, hereinafter “the Investment Trust Act”), and was listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on February 13, 2019 (securities code: 2971).

ESCON REIT will continue to pursue long-term stability and earnings growth by building a portfolio focused on investments in commercial facilities *¹ deeply rooted in local communities in four major metropolitan areas *² where concentration of the population is expected to continue, as well as in their leasehold land *³. ESCON REIT now owns 28 properties with a total acquisition price of 51,980 million yen as of the end of the fiscal period under review.

ESCON REIT shares the same Vision Concept*⁴ as ES-CON Japan Ltd. (hereinafter “ES-CON JAPAN”) of becoming a Lifestyle Developer*⁵ that develops not only buildings but also the lives of those who live in them while thinking of their happiness. By drawing on property development and management expertise that ES-CON JAPAN has cultivated as a general real estate developer*⁶, we aim to maximize unitholder value through consistently expanding our assets under management.

As the parent company of Asset Manager, ES-CON JAPAN is an equity-method affiliate of Chubu Electric Power Co., Inc. (hereinafter “Chubu Electric Power”). ES-CON JAPAN and Chubu Electric Power are in a business and capital partnership to bolster the Group’s real estate business. ESCON REIT and the Asset Manager have signed a sponsor support agreement with ES-CON JAPAN and support agreements with Chubu Electric Power and with Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”).

Notes:

*¹ A commercial facility refers to a real estate occupied chiefly by commercial tenants, such as goods retailers, restaurants, cafes, service providers and amusement facility operators. A lifestyle-focused commercial facility, which is the type of property that ESCON REIT mainly invests in, refers to a commercial facility supplying goods and services needed for daily life that is directly connected to a railway station or located in a densely populated area or on an arterial road or in other areas of daily life. The same applies hereafter.

*² The four major metropolitan areas refer to Tokyo metropolitan area, Kinki metropolitan area, Chukyo metropolitan area and Fukuoka metropolitan area. The Tokyo metropolitan area refers to Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma Prefectures, The Kinki metropolitan area refers to Osaka, Kyoto, Hyogo, Nara and Shiga Prefectures, Chukyo metropolitan area refers to Aichi, Shizuoka, Mie and Gifu Prefectures, and Fukuoka metropolitan area refers to Fukuoka Prefectures.

*³ Leasehold land refers to land leased by a third party on which a building is owned by the said third party. The same applies hereafter.

*⁴ ESCON REIT’s Vision Concept is creating the ideal community that is loved and is prided by residents. ESCON REIT conducts asset management while sharing this Vision Concept with ES-CON JAPAN, sponsor of ESCON REIT and a lifestyle developer engaging in the development of people’s lives. Vision Concept has been coined by combining the Vision, which refers to a state in which an entity hopes to be in the future, with the Concept, or notion. This term is used in this document to signify how ESCON REIT aims to be and a basic idea for it.

*⁵ Lifestyle Developer refers to the corporate branding concept of ES-CON JAPAN which is to be a developer of not only the buildings but also the lifestyles of those who live in them, thinking of their happiness, create richness unprecedented in the real estate industry, connecting people with communities in the future.

*⁶ As used in this document, a general developer means a developer conducting a wide variety of real estate development projects such as condominiums, detached residential houses, commercial facilities, hotels and logistical facilities, or a development with a stance of dealing comprehensively with all kinds of development as a business.

B. Operating environment and Management performance

On back of increased consumption driven by the Go To Campaign, the real GDP growth rate for the October-December quarter of 2020 (second preliminary estimates) rose 2.8% (11.7% annualized increase), making it the second consecutive quarter of positive growth. However, the condition of the Japanese economy remains severe as a state of emergency was declared in January 2021 due to an increase in COVID-19 infections, the second state of emergency to be declared since the first one in April 2020. Although the J-REIT market lacked buoyancy due to the impact of COVID-19, the decline in occupancy and rent revenue was minor as several J-REITs increased dividend payouts. In addition, on the back of expectations for the government’s monetary easing policy to continue, the TSE REIT Index gradually gained upward momentum and recovered to around the mid-1,800 mark at the end of the period. In commercial facilities, the situation for tenants in the apparel, restaurant, and service industries remain severe. On the other hand, tenants that handle daily necessities such as supermarkets, drug stores and DIY stores are performing relatively well.

In this environment, ESCON REIT worked to secure stable revenue over the medium to long term by taking appropriate measures to manage assets and boost revenues, such as inviting tenants to vacant spaces and replacing tenants upon the expiry of

their contracts, while working to ensure the safety of customers and the employees of tenants at commercial facilities. As a result of the measures above, the occupancy rate of the 28 assets under management as of the end of the fiscal period under review was 99.8%.

Recognizing that ESG initiatives will help increase unitholder value, ESCON REIT and the Asset Manager will continue to promote efforts to reduce environmental impact and revitalize local communities.

Following the acquisition of DBJ Green Building Certification for tonarie Yamatotakada and tonarie Toga·Mikita, ESCON REIT filed an application for a DBJ Green Building certification for two of its properties (tonarie Minami-senri and tonarie Seiwadai) during this period, ESCON REIT was awarded the DBJ Green Building certification (rank: three stars) from the Development Bank of Japan Inc. for both properties on February 9, 2021, in recognition of their "excellent environmental and social awareness".

C. Procurement of funds

The balance of interest-bearing debt as of the end of the fiscal period under review was 24,430 million yen, and the ratio of interest-bearing debt to total assets (hereinafter "LTV") became 43.5%.

ESCON REIT acquired an issuer rating 「A-」 (Stable) by Rating and Investment Information Inc.(R&I)

ESCON REIT shall aim to improve further credibility while maintaining the flexibility of fund procurement and stable financial management.

D. Performance and distributions

As a result of the management above, ESCON REIT posted operating revenue of 1,922 million yen, operating income of 1,111 million yen, ordinary income of 1,019 million yen and net income of 1,018 million yen for the fiscal period under review. With regard to distribution, ESCON REIT has decided to distribute the amount of 1,018,452,218 yen, which is roughly equivalent to the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,599 yen.

ii. Outlook for next period

A. Outlook for the overall management environment

Regarding the outlook for the Japanese economy, it is extremely difficult to forecast future market trends as various factors such as another state of emergency declaration will have profound effects on the economy. While measures are taken to prevent the spread of the COVID-19 and increase the level of socio-economic activity, it is expected to result in the continuation of the positive trend. However, we also need to pay close attention to the economic impact of COVID-19 both in Japan and internationally, and to fluctuations in financial and capital markets.

Transactions have temporarily stalled in Japan's real estate investment market due to a serious downturn in the real economy, and the impact of the coronavirus on tenants of commercial facilities must also be closely monitored.

Regarding the Japanese real estate investment market, the impact of the coronavirus on medium-long term market trends and tenants of commercial facilities must be closely monitored given the serious downturn in the real economy. However, we predict that the influx of funds from outside of Japan will continue as inquiries for Japanese real estate by foreigners are on the rise given that the impact of the coronavirus was relatively smaller in Japan than in Europe and the U.S. Also, we predict that prices of Japanese real estate will remain high as the effects of various policies in response to the coronavirus has gradually lifted expectations for a recovery of business environment once economic activities resume.

In this environment, ESCON REIT will conduct appropriate asset management and stable and sound financial operations to secure solid revenue and steadily increase asset values over the medium to long term.

B. Internal growth

To maintain and grow stable revenue over the medium to long term, ESCON REIT will take measures for maintaining and increasing rent revenue and streamlining management expenses.

a. Maintaining and increasing rent revenue

ESCON REIT will grasp trends and needs of tenants (factors for customer dissatisfaction and their potential needs in both hardware and software of facilities) through the periodic exchange of information with the property management company and will improve the satisfaction of tenants and build and strengthen relationships of trust with them by actively taking measures to build relations and implementing appropriate and prompt measures.

According to these measures, ESCON REIT will aim to secure stable revenue by maintaining and increasing rent revenue and preventing cancellations.

In new tenant leasing, ESCON REIT will make efforts to maximize the rent generation period and the rent level through leasing activities based on controlling market trends, by making maximum use of the networks of the Asset Manager and the ES-CON group (ES-CON JAPAN and its subsidiaries and affiliated companies) and periodically exchanging information with the property management company that takes charge of the new tenant leasing.

b. Streamlining management expenses

ESCON REIT will formulate the operation and management plan of individual properties to streamline management expenses and improve their efficiency while maintaining and increasing tenant satisfaction and the competitiveness of properties. When operating and managing properties, ESCON REIT will manage them efficiently by strengthening close cooperation with the property management company.

C. External growth

ESCON REIT will work to achieve steady external growth by actively using the solid sponsor pipeline based on the real estate development capabilities of ES-CON JAPAN as a sponsor and as a general developer and in collaboration with the Chubu Electric Power Group, which refers to Chubu Electric Power and its subsidiaries and affiliates, as a supporter. By making the maximum use of sponsor support from ES-CON JAPAN in the forms of granting preferential rights to purchase, preferential negotiation rights and providing support for the redevelopment of assets under management as well as support from Chuden Real Estate centering on offering of warehousing functions, ESCON REIT will seek to expand the scale of its assets and to improve its portfolio quality.

D. Financial policy

ESCON REIT will raise funds to realize stable and sound financial operation for the purpose of securing stable revenue and steadily improving the asset value over the medium to long term.

The issuance of new investment units will be determined in light of the financial environment, taking into consideration LTV, the dilution of rights of the existing unitholders and the resulting fall in the transaction price of investment units, with the aim of expanding the scale of assets under management and improving their profitability.

When borrowing loans and issuing investment corporation bonds (including short-term investment corporation bonds), ESCON REIT will raise funds in consideration of the balance between the mobility of financing and financial stability as well as the

characteristics of real estate to acquire. Specifically, we will examine the financing methods (loans, investment corporate bonds), the ratio of long-term debt, the diversification of repayment dates and the need to provide security, among others. With regard to LTV, we will set 50% as the upper limit, in principle, based on our policy of maintaining the conservative level. We will also conduct efficient and appropriate cash management by accurately figuring out the financing needs of our portfolio through constant monitoring.

iii. Significant subsequent events

Not applicable.

iv. Outlook for the management status

ESCON REIT expects the management status for the fiscal periods ending July 31, 2021 and January 31, 2022 as shown below. For the assumptions about the management status, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying July 31, 2021 (from February 1, 2021 to August 31, 2021) and the Fiscal Period Underlying January 31, 2022 (from August 1, 2021 to January 31, 2022)” on page 6.

	Operating revenues	Operating income	Ordinary income	Net income	DPU (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	DPU (including distributions in excess of earnings)
9 th fiscal period ending July 31, 2021	1,908 million yen	1,084 million yen	989 million yen	988 million yen	3,492 yen	-	3,492 yen
10 th fiscal period ending January 31, 2022	1,909 million yen	1,079 million yen	939 million yen	938 million yen	3,315 yen	-	3,315 yen

*The forecast values above are calculated based on certain assumptions. Accordingly, actual operating revenue, operating income, ordinary income, net income, distribution per unit and distribution in excess of earnings per unit may change due to the future acquisition or sale of real estate, trends in the real estate market, and fluctuations in interest rates and changes in other circumstances surrounding ESCON REIT. The forecasts do not intend to guarantee the amount of these items.

Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending July 31, 2021 and Fiscal Period ending January 31, 2022

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> ◆ 9th fiscal period: February 1, 2021 to July 31, 2021 (181 days) ◆ 10th fiscal period: August 1, 2021 to January 31, 2022 (184 days)
Assets under management	<ul style="list-style-type: none"> ◆ For the forecast of financial results, it is assumed that ESCON REIT will continue to own the real estate beneficiary interests in 28 properties (hereinafter "acquired assets") already acquired up to the fiscal period ended January 31, 2021 that there will be no changes made to the assets under management such as acquisition of new properties and/or disposition of portfolio properties, etc. until the end of the period ending January 31, 2022. ◆ Changes may arise due to the acquisition of new properties other than the Intended Acquisition Assets, disposition of portfolio properties, etc.
Operating revenue	<ul style="list-style-type: none"> ◆ Real estate leasing revenue is calculated based on lease contracts effective as of the date of this document, taking into account tenant and market trends and other factors. In addition, we have taken into account the negative impact on revenues of the coronavirus pandemic to a certain extent. ◆ Operating revenue is based on the assumption that tenants will pay their rents without delinquency. ◆ Operating revenue is based on the assumption that no gain/loss on sale of real estate will occur.
Operating expenses	<ul style="list-style-type: none"> ◆ Of the real estate leasing business expenses which are the major operating expense, expenses excluding depreciation, are calculated based on past actual expenses, and reflect variable factors such as expected costs (taxes and public dues, management consignment fees, non-life insurance premiums, repair costs, etc.). ◆ Property taxes and city planning taxes are expected to be 162 million yen for the fiscal period ending July 31, 2021 and 162 million yen for the fiscal period ending January 31, 2022. ◆ As expenses for repairing buildings, the amount estimated based on the medium- and long-term repair plan created by the Asset Manager is accounted for. The actual repair expenses during a specific financial period may differ significantly from the expected amount, given that damage to buildings for unexpected reasons may give rise to emergency repair expenses, the amount generally varies considerably from fiscal period to fiscal period, and repair expenses do not fall under expenses that are regularly incurred. ◆ Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc. and is expected to amount to 126 million yen in the fiscal period ending July 31, 2021 and 128 million yen in the fiscal period ending January 31, 2022.
Non-operating expenses	<ul style="list-style-type: none"> ◆ Non-operating expenses for the period ending July 31, 2021 are estimated to be 95 million yen, of which 88 million yen is for interest expenses and other borrowing cost and 6 million yen is for amortization of organization expenses and others. ◆ Non-operating expenses for the period ending January 31, 2022 are estimated to be 140 million yen, of which 139 million yen is for interest expenses and other borrowing cost.
Borrowings	<ul style="list-style-type: none"> ◆ It is assumed that interest-bearing liabilities at the end of period ending July 31, 2021 and at the end of period ending January 31, 2022 will be 24,430 million yen. ◆ LTV ratio is expected to be approximately 43.6% at the end of the period ending July 31, 2021 (9th fiscal period) and at the end of the period ending January 31, 2022 (10th fiscal period). The following formula was used to calculate LTV ratio: $\text{LTV ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}} \times 100$
Number of investment units	<ul style="list-style-type: none"> ◆ It is assumed that, in addition to the 282,982 units, no additional investment units will be issued before the end of the period ending January 31, 2022. ◆ DPU (excluding distribution in excess of earnings) per unit for the period ending July 31, 2021 and period ending January 31, 2022 is calculated based on the anticipated number of investment units issued and outstanding totaling 282,982 units at the end of the period ending July 31, 2021 and period ending January 31, 2022.
DPU (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> ◆ DPU (excluding distribution in excess of earnings) is calculated based on the assumption that distributions will be conducted in accordance with the cash distribution policy provided in ESCON REIT's Articles of Incorporation. ◆ DPU (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying changes in assets under management, changes in tenants, etc. or incurrence of unexpected repairs.
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> ◆ Even though it is possible for ESCON REIT to make cash distributions in excess of earnings in accordance with the Articles of Incorporation, ESCON REIT does not intend to make such cash distributions at this point in time when factoring in the ratio of capital expenditures to depreciation expenses and in order to maintain conservative financial management.
Others	<ul style="list-style-type: none"> ◆ It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, listing rules of the Tokyo Stock Exchange, Inc., and rules of The Investment Trusts Association, Japan, etc. that will impact the forecasted figures above.

	◆ It is assumed that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.
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(2) Investment Risk

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent Annual Securities Report (submitted October 29, 2020).

2. Financial Statements

(1) Balance Sheet

(Unit: 1,000 yen)

	Previous fiscal period (As of July 31, 2020)	Current fiscal period (As of January 31, 2021)
Assets		
Current assets		
Cash and deposits	1,179,889	1,298,221
Cash and deposits in trust	*1 2,384,171	*1 2,465,876
Operating accounts receivable	39,671	35,268
Prepaid expenses	48,504	43,656
Total current assets	3,652,236	3,843,022
Noncurrent assets		
Property, plant and equipment		
Buildings in trust	8,881,071	8,901,715
Accumulated depreciation	△307,258	△427,603
Buildings, net	*1 8,573,813	*1 8,474,111
Structures in trust	128,715	128,715
Accumulated depreciation	△14,031	△17,427
Structures, net	*1 114,684	*1 111,288
Tools, furniture and fixtures in trust	11,823	16,337
Accumulated depreciation	△1,443	△2,743
Tools, furniture and fixtures in trust, net	*1 10,379	*1 13,593
Land in trust	*1 43,636,242	*1 43,636,242
Total property, plant and equipment	52,335,119	52,235,236
Intangible assets		
Trademarks	825	771
Other	5,883	5,066
Total intangible assets	6,709	5,838
Investment and other assets		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	52,835	32,472
Deferred tax assets	8	16
Total investments and other assets	62,844	42,489
Total noncurrent assets	52,404,672	52,283,564
Deferred assets		
Organization expenses	11,372	5,686
Total deferred assets	11,372	5,686
Total assets	56,068,282	56,132,273

(Unit: 1,000 yen)

	Previous fiscal period (As of July 31, 2020)	Current fiscal period (As of January 31, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	109,313	94,796
Current portion of long-term borrowings	-	* 1 9,960,000
Accounts payable - other	9,747	49,352
Accrued expenses	102,257	124,417
Income taxes payable	776	944
Accrued consumption tax, etc.	53,340	28,506
Advances received	264,347	265,264
Deposits received	99	2,220
Total current liabilities	539,882	10,525,502
Noncurrent liabilities		
Long-term borrowings	* 1 24,430,000	* 1 14,470,000
Tenant lease and guarantee deposits in trust	1,688,139	1,678,567
Total noncurrent liabilities	26,118,139	16,148,567
Total liabilities	26,658,021	26,674,069
Net assets		
Unitholders' equity		
Unitholders' capital	28,439,581	28,439,581
Surplus		
Unappropriated retained earnings (undisposed loss)	970,678	1,018,621
Total surplus	970,678	1,018,621
Total unitholders' equity	29,410,260	29,458,203
Total net assets	* 2 29,410,260	* 2 29,458,203
Total liabilities and net assets	56,068,282	56,132,273

(2) Profit and Loss Statement

(Unit: 1,000 yen)

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 202 – January 31, 2021)
Operating revenues		
Rent revenue-real estate	*1 1,701,734	*1 1,714,073
Other lease business revenue	*1 200,608	*1 208,432
Total operating revenue	1,902,342	1,922,505
Operating expenses		
Expenses related to rent business	*1 656,673	*1 653,550
Asset management fee	84,303	104,085
Asset custody fee	2,702	2,770
Administrative service fees	9,494	9,500
Directors' compensation	3,000	3,000
Taxes and public dues	8,107	7,142
Other operating expenses	27,283	30,924
Total operating expenses	791,565	810,973
Operating income	1,110,777	1,111,531
Non-operating income		
Interest income	14	16
Interest on tax refund	236	-
Total non-operating income	251	16
Non-operating expenses		
Interest expenses	61,215	61,155
Borrowing related expenses	52,666	23,989
Amortization of organization expenses	5,686	5,686
Investment unit issuance expenses	19,141	-
Investment corporation bond issuance costs	1,160	1,206
Total non-operating expenses	139,870	92,037
Ordinary income	971,159	1,019,510
Ordinary income	971,159	1,019,510
Income before income taxes	677	947
Income taxes adjustment	△7	△8
Total income taxes	670	939
Net income	970,488	1,018,571
Retained earnings bought forward	189	50
Unappropriated retained earnings (undisposed loss)	970,678	1,018,621

(3) Statements of Changes in Net Assets (Unitholders' Equity)
 Previous fiscal period (February 1, 2020 – July 31, 2020)

(Unit: 1,000 yen)

	Unitholders' equity				Total net assets
	Unitholders' capital / Total capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	22,941,238	883,725	883,725	23,824,964	23,824,964
Changes of items during the period					
New investment units	5,498,343	-	-	5,498,343	5,498,343
Dividends from surplus	-	△883,536	△883,536	△883,536	△883,536
Net income	-	970,488	970,488	970,488	970,488
Total changes of items during the period	5,498,343	86,952	86,952	5,585,296	5,585,296
Balance at the end of the period	*1 28,439,581	970,678	970,678	29,410,260	29,410,260

Current fiscal period (August 1, 2020 – January 31, 2021)

(Unit: 1,000 yen)

	Unitholders' equity				Total net assets
	Unitholders' capital / Total capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	28,439,581	970,678	970,678	29,410,260	29,410,260
Changes of items during the period					
Dividends from surplus	-	△970,628	△970,628	△970,628	△970,628
Net income	-	1,018,571	1,018,571	1,018,571	1,018,571
Total changes of items during the period	-	47,942	47,942	47,942	47,942
Balance at the end of the period	*1 28,439,581	1,018,621	1,018,621	29,458,203	29,458,203

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
I . Unappropriated retained earnings	970,678,772	1,018,621,648
II . Distributions	970,628,260	1,018,452,218
Distributions per unit (excluding distributions in excess of earnings)	(3,430)	(3,599)
III . Retained earnings carried forward	50,512	169,430
How distributions were calculated	The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESCON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, ESCON REIT has decided to distribute 970,628,260 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.	The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESCON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, ESCON REIT has decided to distribute 1,018,452,218 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.

(5) Cash Flow Statement

(Unit: 1,000 yen)

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
Cash Flows from Operating Activities		
Income before income taxes	971,159	1,019,510
Depreciation	125,001	125,911
Amortization of organization expenses	5,686	5,686
Investment unit issuance expenses	19,141	-
Interest income	△14	△16
Interest expenses	61,215	61,155
Decrease (increase) of operating accounts receivable	△15,132	4,402
Decrease (increase) in prepared expenses	△10,189	4,848
Decrease (increase) of long-term prepaid expenses	△6,149	20,362
Increase (decrease) in operating accounts payable	48,982	△14,517
Increase (decrease) in accounts payable - other	△39,048	38,140
Increase (decrease) in accrued expenses	1,922	21,478
Increase (decrease) in accrued consumption tax, etc.)	39,996	△24,834
Increase (decrease) in advances received	49,757	917
Others	90	2,121
Subtotal	1,252,419	1,265,165
Interest income received	14	16
Interest expenses paid	△61,215	△60,473
Income taxes (paid) refund	△525	△778
Net cash provided by (used in) operating activities	1,190,693	1,203,929
Cash Flows from Investing Activities		
Purchase of property, plant and equipment in trust	△10,515,188	△25,158
Proceeds from tenant lease and guarantee deposits in trust	307,891	8,579
Repayments of tenant lease and guarantee deposits in trust	△24,249	△18,152
Net cash provided by (used in) investing activities	△10,231,546	△34,730
Cash Flows from Financing Activities		
Proceeds from short-term borrowings	373,000	-
Decrease in short-term borrowings	△373,000	-
Proceeds from long-term borrowings	4,861,000	-
Decrease in long-term borrowings	△251,000	-
Proceeds from issuance of investment units	5,479,202	-
Distributions paid	△882,436	△969,163
Net cash provided by (used in) financing activities	9,206,765	△969,163
Increase (decrease) in cash and cash equivalents	165,912	200,036
Cash and cash equivalents at the beginning of period	3,398,148	3,564,061
Cash and cash equivalents at the end of period	*1 3,564,061	*1 3,764,097

(6) Notes on Going Concern Assumptions
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of noncurrent assets</p>	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The useful lives of property, plant and equipment are as follows. Buildings 3 to 63 years Structures 12 to 39 years Furniture and fixtures 3 to 6 years (2) Intangible assets The straight-line method is used. (3) Long-term prepaid expenses The straight-line method is used.</p>
<p>2. Accounting for deferred assets</p>	<p>Organization expenses Organization expenses are amortized equally over a period of five years. Investment unit issuance costs Issuance costs are expensed when incurred.</p>
<p>3. Accounting standards for revenues and expenses</p>	<p>Accounting for property taxes, etc. Property tax, city planning tax, depreciable asset tax and the like levied on real estate holdings are accounted for by treating the taxes assessed as rental business expenses. The amount of property tax, etc. paid to the transferrer as settlement money for the first year in conjunction with the acquisition of real estate or a trust beneficiary interest in real estate is not recorded as an expense, but is included in the cost of acquisition of the property. In the previous fiscal period, the amount equivalent to property taxes, etc. included in the acquisition cost of real estate, etc. was 44,333 thousand yen. In the fiscal period under review, there was no amount equivalent to property taxes, etc. included in the acquisition cost of real estate, etc.</p>
<p>4. Scope of funds in the statement of cash flows</p>	<p>Funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.</p>
<p>5. Other significant bases for preparing financial statements</p>	<p>(1) Accounting for trust beneficial interests in real estate as trust asset With regard to trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheet and the profit and loss statement. Of the trust assets accounted for under the respective account items, the following items of significance are separately indicated on the balance sheet. i. Cash in trust and deposits in trust ii. Buildings in trust and structures in trust Tools, furniture and fixtures in trust and land in trust iii. Tenant lease and guarantee deposits in trust (2) Accounting for consumption taxes The accounting for consumption taxes and local consumption taxes is tax exclusive. However, non-deductible consumption taxes on noncurrent assets are included in the acquisition cost of individual assets.</p>

(8) Notes to Financial Statements

[Note to Balance Sheets]

(Unit: 1,000 yen)

	Previous fiscal period (As of July 31, 2020)	Current fiscal period (As of January 31, 2021)
*1. Assets offered as security and liabilities on which security is established		
Assets offered as security are as follows.		
Cash and deposits in trust	2,384,171	2,465,876
Buildings in trust	8,573,813	8,474,111
Structures in trust	114,684	111,288
Tools, furniture and fixtures in trust	10,379	13,593
Land in trust	43,636,242	43,636,242
Total	54,719,291	54,701,112
Liabilities on which security is established are as follows.		
Current portion of long-term borrowings	-	9,960,000
Long-term borrowings	24,430,000	14,470,000
Total	24,430,000	24,430,000
*2. Minimum amount of net assets provided for in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations	50,000	50,000

[Notes to Profit and Loss Statements]

(Unit: 1,000 yen)

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
*1 Breakdown of income from real estate rent business		
A. Real estate rent business revenue		
Rent business revenue		
Rent revenue	711,697	724,505
Land rents received	682,811	684,052
Common service fees	103,985	99,752
Other rent revenues	203,240	205,763
Total	1,701,734	1,714,073
Other rent business revenues		
Utilities charges received	174,049	193,788
Other revenues	26,558	14,643
Total	200,608	208,432
Total real estate rent business revenue	1,902,342	1,922,505
B. Real estate rent business expenses		
Rent business expenses		
Administrative expenses	160,031	156,364
Trust fees	6,190	6,275
Utilities charges	163,129	174,076
Non-life insurance premiums	2,747	2,753
Repair expenses	46,236	41,426
Taxes and public dues	137,995	137,964
Depreciation	124,131	125,041
Other rent business expenses	16,210	9,650
Total real estate rent business expenses	656,673	653,550
C. Income from real estate rent business (A - B)	1,245,669	1,268,955

[Notes to Statements of Changes in Net Assets (Unitholders' Equity)]

*1. Total number of investment units authorized and total number of investment units issued and outstanding

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	282,982 units	282,982 units

[Notes to Statement of Cash Flows]

*1. Relationship between the ending balance of cash and cash equivalents and the amounts of items posted in the balance sheet

(Unit: 1,000 yen)

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
Cash and deposits	1,179,889	1,298,221
Cash and deposits in trust	2,384,171	2,465,876
Cash and cash equivalents	3,564,061	3,764,097

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

ESCON REIT takes a balanced approach to raising funds through borrowings from financial institutions and the issuance of investment corporation bonds and investment units to contribute to the steady growth of assets under management as well as efficient management and management stability.

When taking out borrowings from financial institutions and issuing investment corporation bonds, ESCON REIT will take into account the balance between the flexibility of financing and the financial stability and the characteristics of real estate to acquire. Specifically, ESCON REIT will examine the financing methods, the ratio of long-term loans, the ratio of fixed interest rates, the diversification of repayment dates and the need to provide security, among other factors. When borrowing funds, lenders will be limited to the qualified institutional investors specified in the Financial Instruments and Exchange Act (however, limited to the institutional investors specified in Article 67-15 of the Act on Special Measures Concerning Taxation).

The issuance of new investment units will be determined in light of the financial environment, taking into consideration LTV, the dilution of rights of the existing unitholders and a resulting fall in the transaction price of investment units, with the aim of expanding the scale of assets under management and improving their profitability.

ESCON REIT may engage in derivative transactions to hedge the interest volatility and other risks arising from its liabilities. In current period, ESCON REIT did not conduct derivative transactions.

(2) Description of financial instruments and associated risks, and the risk management system

Loans are taken out mainly for the purpose of raising funds to acquire assets and repay debts. While loans are exposed to the risk that they will be unable to be refinanced when they are due and the risk that interest rates paid will rise, ESCON REIT works to reduce the risks by diversifying the lenders and due dates and examining balanced financing including the issuance of investment units. ESCON REIT also manages risks to its operation from rising interest rates through the close monitoring of fluctuations in interest rates and the appropriate control of LTV.

(3) Supplementary explanation on matters concerning the fair value, etc. of financial instruments

The fair value of financial instruments includes values based on reasonable calculation when there is no market value, in addition to values based on market value. Certain assumptions are used in the calculation of the values. Accordingly, there may be cases where the values will vary when different assumptions are used.

2. Matters concerning the fair value, etc. of financial instruments

The carrying value, fair value, and difference between the carrying value and fair value as of July 31, 2020 are as follows. Financial instruments, the fair value of which is deemed extremely difficult to be determined, are not included (see *2).

(Unit: 1,000 yen)

	Carrying value	Fair value (*1)	Difference
(1) Cash and deposits	1,179,889	1,179,889	-
(2) Cash and deposits in trust	2,384,171	2,384,171	-
Total assets	3,564,061	3,564,061	-
(3) Current portion of long-term borrowings	-	-	-
(4) Long-term borrowings	24,430,000	24,430,000	-
Total liabilities	24,430,000	24,430,000	-

The carrying value, fair value, and difference between the carrying value and fair value as of January 31, 2021 are as follows. Financial instruments, the fair value of which is deemed extremely difficult to be determined, are not included (see *2).

(Unit: 1,000 yen)

	Carrying value	Fair value (*1)	Difference
(1) Cash and deposits	1,298,221	1,298,221	-
(2) Cash and deposits in trust	2,465,876	2,465,876	-
Total assets	3,764,097	3,764,097	-
(3) Current portion of long-term borrowings	9,960,000	9,960,000	-
(4) Long-term borrowings	14,470,000	14,470,000	-
Total liabilities	24,430,000	24,430,000	-

Notes:

*1 The method of determining the fair value of financial instruments

(1) Cash and deposits and (2) Cash in trust and deposits in trust

Given that these items are settled within a short period of time, their fair values are nearly equal to their carrying values. Therefore, the carrying value is used as the fair value.

(3) Current portion of long-term borrowings (4) Long-term borrowings

Given that this item is based on variable interest rates, it will reflect the market interest rates over a short period of time, and it might be said that its fair value is nearly equal to its carrying value. Therefore, the carrying value is used as the fair value.

*2 The carrying value of financial instruments, the fair value of which is deemed extremely difficult to be determined.

(Unit: 1,000 yen)

	7th fiscal period (July 31, 2020)	8th fiscal period (January 31, 2021)
Tenant lease and guarantee deposits in trust	1,688,139	1,678,567

Tenant lease and guarantee deposits in trust

Tenant lease and guarantee deposits in trust deposited by tenants do not have a market price, and the lease contract could be terminated, renewed or re-signed even if there is a provision concerning the term of contract. For this reason, a substantive deposit period is unable to be determined, and it is deemed difficult to estimate reasonable future cash flows. Accordingly, tenant lease and guarantee deposits in trust are not subject to disclosure at fair value.

*Scheduled redemption of monetary claims after the closing date (July 31, 2020)

(Unit: 1,000 yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and deposits	1,179,889	-	-	-	-	-
Cash and deposits in trust	2,384,171	-	-	-	-	-
Total	3,564,061	-	-	-	-	-

Scheduled redemption of monetary claims after the closing date (January 31, 2021)

(Unit: 1,000 yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and deposits	1,298,221	-	-	-	-	-
Cash and deposits in trust	2,465,876	-	-	-	-	-
Total	3,764,097	-	-	-	-	-

*Scheduled redemption of loans after the closing date (July 31, 2020)

(Unit: 1,000 yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	-	9,960,000	9,860,000	4,610,000	-	-
Total	-	9,960,000	9,860,000	4,610,000	-	-

Scheduled redemption of loans after the closing date (January 31, 2021)

(Unit: 1,000 yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	9,960,000	9,860,000	4,610,000	-	-	-
Total	9,960,000	9,860,000	4,610,000	-	-	-

[Notes to Tax Effect Accounting]

1. Breakdown of major causes for deferred tax assets and deferred tax liabilities

(Unit: 1,000yen)

	Previous fiscal period (As of July 31, 2020)	Current fiscal period (As of January 31, 2021)
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	8	16
Total deferred tax assets	8	16
(Net deferred tax assets)	8	16

2. Breakdown of major causes for material difference between the effective statutory tax rate and the burden rate after applying tax effect accounting

(Unit: %)

	Previous fiscal period (As of July 31, 2020)	Current fiscal period (As of January 31, 2021)
Effective statutory tax rate	31.46	31.46
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.44)	(31.43)
Others	0.05	0.06
Burden rate of corporate taxes after applying tax effect accounting	0.07	0.09

[Notes to Real Estate for Lease]

ESCON REIT owns commercial facilities and real estate for lease, the principal use of which is leasehold land. The carrying value, changes during the period and fair value at the end of the period of these properties are as follows.

(Unit: 1,000 yen)

		Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
Carrying value *1	Balance at the beginning of the period	41,944,061	52,335,119
	Changes during the period *2	10,391,057	(99,882)
	Balance at the end of the period	52,335,119	52,235,236
Fair value at the end of the period *3		57,097,000	56,896,000

Notes:

*1 The carrying value includes the acquisition cost and incidental costs associated with the acquisition.

*2 Of the changes during the period, most of the increase of the previous period was mainly due to the acquisition of three properties, including tonarie Yamatotakada (10,478,784 thousand yen in total), while the decrease is mainly due to depreciation (124,131 thousand yen). The increase in the current fiscal period is mainly due to capital expenditures for five properties, including Asumigaoka Brand-New Mall (25,158 thousand yen in total), while the decrease is mainly due to depreciation (125,041 thousand yen).

*3 The fair value at the end of the period is an appraisal value by an outside real estate appraiser.

Profit and loss of real estate for lease are as described in Notes to Profit and Loss Statements.

[Notes to Per Unit Information]

	Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
Net assets per unit	103,929 yen	104,099 yen
Net income per unit	3,439 yen	3,599 yen

Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days during the period.

Diluted net income per unit is not stated because there are no dilutive investment units.

*The basis for calculating net income per unit is as follows.

		Previous fiscal period (February 1, 2020 – July 31, 2020)	Current fiscal period (August 1, 2020 – January 31, 2021)
Net income	(1,000 yen)	970,488	1,018,571
Amount not attributable to common unitholders	(1,000 yen)	-	-
Net income for common investment units	(1,000 yen)	970,488	1,018,571
Average number of investment units during the period	(Units)	282,199	282,982

[Notes to Significant Subsequent Events]

Not applicable.

(9) Changes in total number of investment units issued and outstanding

Changes in the total amount of investment and the total number of investment units issued and outstanding for ESCON REIT since its establishment to January 31, 2021, are as follows.

Date	Summary	Total number of investment units Issued and outstanding(units)		Total amount of investment (thousand yen)		Remarks
		Increase	Balance	Increase	Balance	
August 26, 2016	Establishment through private placement	2,000	2,000	200,000	200,000	*1
February 13, 2017	Capital increase through private placement	7,500	9,500	750,000	950,000	*2
October 13, 2017	Investment unit split	500	10,000	-	950,000	*3
December 1, 2017	Capital increase through private placement	38,649	48,649	3,671,655	4,621,655	*4
February 12, 2019	Capital increase through public offering	188,351	237,000	18,319,583	22,941,238	*5
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236,472	28,177,710	*6
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261,871	28,439,581	*7

Notes:

*1 ESCON REIT was established through private placement of investment units with the offer price per unit of 100,000yen.

*2 ESCON REIT issued new investment units through private placement with the offer price per unit of 100,000 yen for the purpose of raising funds to acquire specified assets.

*3 ESCON REIT split investment units at a rate of 1.05264 units for one investment unit, with October 13, 2017 as the effective date.

*4 ESCON REIT issued new investment units through private placement with the offer price per unit of 95,000 yen for the purpose of raising funds to acquire specified assets.

*5 ESCON REIT issued new investment units through a public offering with the offer price per unit of 101,000 yen per unit (issue price of 97,263 yen) for the purpose of raising funds to acquire specified assets.

*6 ESCON REIT issued new investment units through a public offering with offer price per unit 124,029 yen (issue price of 119,576 yen) for the purpose of raising funds to acquire specified assets.

*7 ESCON REIT issued new investment units through a third-party allotment with issue price per unit 119,576 yen, for the purpose of raising funds for the future acquisition of specific assets or repayment of loans.

3. Reference Information

(1) Portfolio information

i . Status of investment

Asset type	Region	7 th fiscal period As of July 31, 2020		8 th fiscal period As of January 31, 2021	
		Total amount owned (million yen) *1	Ratio to total assets (%) *2	Total amount owned (million yen) *1	Ratio to total assets (%) *2
Real estate in trust	Tokyo metropolitan area	7,813	13.9	7,806	13.9
	Kinki metropolitan area	26,753	47.7	26,686	47.5
	Chukyo metropolitan area	5,094	9.1	5,069	9.0
	Fukuoka metropolitan area	10,537	18.8	10,537	18.8
	Other area	2,136	3.8	2,136	3.8
Total real estate in trust		52,335	93.3	52,235	93.1
Deposits and other assets		3,733	6.7	3,897	6.9
Total assets		56,068	100.0	56,132	100.0

	Amount (million yen)	Ratio to total assets (%) *2	Amount (million yen)	Ratio to total assets (%) *2
Total liabilities	26,658	47.5	26,674	47.5
Total net assets	29,410	52.5	29,458	52.5

Notes:

*1 The total amount owned is based on the amount on the balance sheets as of the end of the fiscal period and rounded down to the nearest million yen.

*2 The ratio to total assets is rounded off to the nearest first decimal place.

ii . Investment assets

A. Major investment securities

Not applicable.

B. Investment properties

Not applicable.

C. Other major investment assets

a. Overview of assets owned

The overview of real estate, which is the trust asset of trust beneficial interests owned by ESCON REIT as of January 31, 2021 is as follows.

(As of January 31, 2021)

Property number *1	Property name	Location	Acquisition price (million yen) *2	Book value (million yen) *3	Appraisal value at the end of the period (million yen) *4	Appraiser
ST-1	Asumigaoka Brand-New Mall (including Asumigaoka (Leasehold land))	Chiba-shi, Chiba	3,200	3,239	3,360	The Tanizawa Sogo Appraisal Co., Ltd.
					294	
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi-shi, Chiba	451	453	465	Daiwa Real Estate Appraisal Co., Ltd.
SS-1	K's Denki Oyumino (Leasehold land)	Chiba-shi, Chiba	2,710	2,737	2,870	JLL Morii Valuation & Advisory KK
SS-2	Nitori Tsuchiura (Leasehold land)	Tsuchiura-shi, Ibaraki	999	1,007	1,090	JLL Morii Valuation & Advisory KK
SS-3	Nitori Imaichi (Leasehold land)	Nikko-shi, Tochigi	363	368	406	JLL Morii Valuation & Advisory KK
KT-1	tonarie Minami-senri	Suita-shi, Osaka	7,200	7,193	7,990	The Tanizawa Sogo Appraisal Co., Ltd.
KT-2	tonarie Seiwadai	Kawanishi-shi, Hyogo	3,290	3,252	3,400	Daiwa Real Estate Appraisal Co., Ltd.
KT-3	tonarie Yamatotakada (ownership 50%)	Yamatotakada-shi, Nara	4,150	4,153	4,045	JLL Morii Valuation & Advisory KK
KT-4	tonarie Toga・Mikita (ownership 50%)	Sakai-shi, Osaka	3,490	3,490	3,560	Daiwa Real Estate Appraisal Co., Ltd.
KS-1	LAMU Kitatsumori (Leasehold land)	Osaka-shi, Osaka	1,270	1,284	1,480	JLL Morii Valuation & Advisory KK
KS-2	K's Denki Nishi-kobe (Leasehold land)	Kobe-shi, Hyogo	2,133	2,154	2,470	JLL Morii Valuation & Advisory KK
KS-3	Sanyo Marunaka Mitani (Leasehold land)	Kobe-shi, Hyogo	1,430	1,443	1,520	JLL Morii Valuation & Advisory KK
KS-4	Tsutaya Sakai-minami (Leasehold land)	Sakai-shi, Osaka	946	955	1,020	JLL Morii Valuation & Advisory KK
KS-5	LIFE Daisen (Leasehold land)	Sakai-shi, Osaka	2,733	2,758	3,060	Daiwa Real Estate Appraisal Co., Ltd.
TT-1	Pare Marche Nishiharu	Kitanagoya-shi, Aichi	4,610	4,585	4,400	Daiwa Real Estate Appraisal Co., Ltd.
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	Nabari-shi, Mie	477	483	536	JLL Morii Valuation & Advisory KK
FS-1	MrMAX Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	3,387	3,428	3,910	The Tanizawa Sogo Appraisal Co., Ltd.
FS-2	UNIQLO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	595	601	663	The Tanizawa Sogo Appraisal Co., Ltd.
FS-3	Avail.Shimamura Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	863	874	1,100	The Tanizawa Sogo Appraisal Co., Ltd.
FS-4	au-Softbank Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	143	145	160	The Tanizawa Sogo Appraisal Co., Ltd.
FS-5	Kura Sushi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	261	264	303	The Tanizawa Sogo Appraisal Co., Ltd.
FS-6	docomo Shop Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	160	163	182	The Tanizawa Sogo Appraisal Co., Ltd.
FS-7	Konpira Maru Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	236	239	265	The Tanizawa Sogo Appraisal Co., Ltd.

FS-8	One-Karubi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	236	239	265	The Tanizawa Sogo Appraisal Co., Ltd.
FS-9	Suke-san Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	401	405	422	The Tanizawa Sogo Appraisal Co., Ltd.
FS-10	NAFCO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	2,631	2,666	3,390	The Tanizawa Sogo Appraisal Co., Ltd.
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1,487	1,506	1,830	The Tanizawa Sogo Appraisal Co., Ltd.
OS-1	K's Denki Kurashiki (Leasehold land)	Kurashiki-shi, Okayama	2,121	2,136	2,440	Daiwa Real Estate Appraisal Co., Ltd.
	Total		51,980	52,235	56,896	

Notes:

*1 Property number is a code or number given to a portfolio asset according to the region in which it is located and whether it is leasehold land or land + building. Property numbers have the following meanings: ST (Tokyo metropolitan area, land + building); SS (Tokyo metropolitan area, leasehold land); KT (Kinki metropolitan area, land + building); KS (Kinki metropolitan area, leasehold land); TT (Chukyo metropolitan area, land + building); TS (Chukyo metropolitan area, leasehold land); FT (Fukuoka metropolitan area, land + building); FS (Fukuoka metropolitan area, leasehold land); OT (Other region besides the top four metropolitan areas, land + building); OS (Other region besides the top four metropolitan areas, leasehold land). The same applies hereafter.

*2 The acquisition price is an amount (sales price stated in the sales contract) not including expenses required for the acquisition of real estate (sales intermediary fees, taxes and public dues, etc.).

*3 The book value is rounded down to the stated value.

*4 The appraisal value at the end of the period is an appraisal value by a real estate appraiser based on the Articles of Incorporation of ESCON REIT and rules set by the Investment Trusts Association, Japan, with the end of the fiscal period as the date of investigation.

b. Overview of lease

The total number of tenants, rentable area, leased area, occupancy rate and real estate rent business revenue of the real estate owned are as follows.

(As of January 31, 2021)

Property number	Property name	Total number of tenants *1	Rentable area (m ²) *2	Leased area (m ²) *2	Occupancy rate (%) *3	Real estate rent business revenue (million yen) *4	Ratio to total rent revenue (%)
ST-1	Asumigaoka Brand-New Mall	29	22,480.50	22,367.48	99.5	243	12.7
	Asumigaoka Brand-New Mall(Leasehold land)	2	2,672.67	2,672.67	100.0		
ST-2	Nishi-shiroi Ekimae Plaza	4	969.72	969.72	100.0	20	1.0
SS-1	K's Denki Oyumino (Leasehold land)	1	23,379.50	23,379.50	100.0	70	3.7
SS-2	Nitori Tsuchiura (Leasehold land)	1	10,312.00	10,312.00	100.0	Not disclosed *5	Not disclosed *5
SS-3	Nitori Imaichi (Leasehold land)	1	10,236.00	10,236.00	100.0	Not disclosed *5	Not disclosed *5
KT-1	tonarie Minami-senri	45	7,535.16	7,535.16	100.0	328	17.1
KT-2	tonarie Seiwadai	33	8,798.01	8,798.01	100.0	183	9.6
KT-3	tonarie Yamatotakada (ownership 50%)	63	14,505.67	14,267.61	98.4	174	9.1
KT-4	tonarie Toga·Mikita (ownership 50%)	32	8,471.24	8,471.24	100.0	128	6.7
KS-1	LAMU Kitatsumori (Leasehold land)	1	11,677.03	11,677.03	100.0	38	2.0
KS-2	K's Denki Nishi-kobe (Leasehold land)	1	9,787.68	9,787.68	100.0	62	3.2
KS-3	Sanyo Marunaka Mitani (Leasehold land)	1	9,610.80	9,610.80	100.0	Not disclosed *5	Not disclosed *5
KS-4	Tsutaya Sakai-minami (Leasehold land)	1	4,406.04	4,406.04	100.0	21	1.1
KS-5	LIFE Daisen (Leasehold land)	1	9,264.48	9,264.48	100.0	72	3.7
TT-1	Pare Marche Nishiharu	53	26,433.55	26,200.22	99.1	165	8.6
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	1	9,025.88	9,025.88	100.0	Not disclosed *5	Not disclosed *5
FS-1	MrMAX Kasuga (Leasehold land)	1	38,113.27	38,113.27	100.0	84	4.4
FS-2	UNIQLO Kasuga (Leasehold land)	1	5,426.59	5,426.59	100.0	13	0.7
FS-3	Avail.Shimamura Kasuga (Leasehold land)	1	8,752.57	8,752.57	100.0	23	1.2
FS-4	au-Softbank Kasuga (Leasehold land)	1	1,200.84	1,200.84	100.0	3	0.2
FS-5	Kura Sushi Kasuga (Leasehold land)	1	2,257.85	2,257.85	100.0	7	0.4
FS-6	docomo Shop Kasuga (Leasehold land)	1	1,358.76	1,358.76	100.0	4	0.2
FS-7	Konpira Maru Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
FS-8	One-Karubi Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
FS-9	Suke-san Kasuga (Leasehold land)	1	3,126.16	3,126.16	100.0	10	0.5
FS-10	NAFCO Kasuga (Leasehold land)	1	33,928.37	33,928.37	100.0	Not disclosed *5	Not disclosed *5
FS-11	K's Denki Kasuga (Leasehold land)	1	16,961.48	16,961.48	100.0	37	1.9

OS-1	K's Denki Kurashiki (Leasehold land)	1	11,433.38	11,433.38	100.0	Not disclosed *5	Not disclosed *5
	Total	282	316,092.16	315,507.75	99.8	1,922	100.0

Notes:

*1 The total number of tenants is stated based on data as of the closing date. For properties for which a pass-through type master lease contract is concluded, the total number of tenants and the occupancy rate calculated based on end tenants are stated.

*2 The rentable area, leased area, and occupancy rate are stated based on data as of their respective closing dates. ESCON REIT holds a 50% quasi-co-ownership interest in the trust beneficiary rights pertaining to tonarie Yamatotakada and tonarie Toga・Mikita, but the table above shows the figures for the entire properties.

* 3 The occupancy rate is calculated by the calculation formula below based on data as of the closing date.

$$\text{Occupancy rate} = \text{Leased area} \div \text{Rentable area} \times 100$$

* 4 The real estate rent business revenue is rounded off to the stated value.

* 5 The figure is not disclosed because no consent to disclosure is obtained from tenants and other parties.

(2) Capital expenditures

①Schedule of capital expenditures

There is no current plan of repair work applicable to the capital expenditure on the assets owned as of January 31, 2021.

②Capital expenditures during the period

There is no repair work applicable to the capital expenditure in current fiscal period on the assets owned as of January 31, 2021.