

10th Fiscal Period Semi-Annual Report

From: August 1, 2021
To: January 31, 2022

ESCON JAPAN REIT Investment Corporation

The Okura Prestige Tower 20F,
2-10-4 Toranomom, Minato-ku, Tokyo

To Our Unitholders

We would like to take this opportunity to thank you for your continued support of ESCON JAPAN REIT Investment Corporation (ESCON REIT).

We are pleased to announce that ESCON REIT has successfully completed its 10th fiscal period (August 1, 2021 to January 31, 2022). We would like to express our sincere gratitude once again for your generous support.

The commercial facilities include shopping malls located in front of train stations, whose main tenants are supermarkets. At ESCON REIT, we think that in contemporary Japanese society, with its declining birth rate and aging population, these “lifestyle-focused commercial facilities” do not merely “sell things.” Rather, these facilities serve as the center of local communities and a place of refuge in the event of natural disasters. We believe that these roles and functions will become even more important in the future, and we will continue to invest in these facilities, leveraging the support of ES-CON JAPAN Ltd. and support from Chubu Electric Power Co. Inc. In addition, as ESG perspectives have been positioned as a long-term management indicator in recent years, a more proactive approach in promoting ESG initiatives is required. Therefore, having recognized that improving sustainability in terms of environmental considerations, social contributions, and strengthening organizational governance will contribute to the enhancement of unitholder value through the operation of retail facilities, we at ESCON REIT have formulated a set of key issues (materiality). Based on these issues, we aim to improve the dissemination of information both internally and externally and strengthen the sophistication of our activities.

We would like to ask for our unitholders’ continued support and encouragement.

ESCON JAPAN REIT Investment Corporation Executive Director
Atsumu Sasaki

I Asset Management Report

■ Overview of Asset Management

1. Trends in ESCON REIT's Management Status

Fiscal period		6th fiscal period from August 1, 2019 to January 31, 2020	7th fiscal period from February 1, 2020 to July 31, 2020	8th fiscal period from August 1, 2020 to January 31, 2021	9th fiscal period from February 1, 2021 to July 31, 2021	10th fiscal period from August 1, 2021 to January 31, 2022
Operating revenue	Thousand yen	1,544,087	1,902,342	1,922,505	1,910,829	2,476,628
which consists of real estate lease revenues	Thousand yen	1,544,087	1,902,342	1,922,505	1,910,829	2,476,628
Operating expenses	Thousand yen	580,615	791,565	810,973	816,259	970,061
which consists of real estate lease expenses	Thousand yen	434,141	656,673	653,550	655,322	794,032
Operating income	Thousand yen	963,472	1,110,777	1,111,531	1,094,570	1,506,567
Ordinary income	Thousand yen	883,596	971,159	1,019,510	1,001,852	1,265,888
Net income	Thousand yen	882,971	970,488	1,018,571	1,001,039	1,264,729
Total assets	Thousand yen	45,486,454	56,068,282	56,132,273	56,061,549	75,840,468
Period-on- period changes	%	0.3	23.3	0.1	(0.1)	35.3
Net assets	Thousand yen	23,824,964	29,410,260	29,458,203	29,440,790	39,371,956
Period-on- period changes	%	0.9	23.4	0.2	(0.1)	33.7
Interest-bearing Debt	Thousand yen	19,820,000	24,430,000	24,430,000	24,430,000	33,445,000
Total amount of investment	Thousand yen	22,941,238	28,439,581	28,439,581	28,439,581	38,107,208
Total number of investment units issued and outstanding	Units	237,000	282,982	282,982	282,982	351,967
Net assets per unit*4	Yen	100,527	103,929	104,099	104,037	111,862
Net income per unit*1	Yen	3,725	3,439	3,599	3,537	3,601
Total distributions	Thousand yen	883,536	970,628	1,018,452	1,001,190	1,264,617
Distribution per unit	Yen	3,728	3,430	3,599	3,538	3,593
which consists of earnings distribution per unit	Yen	3,728	3,430	3,599	3,538	3,593
which consists of distribution in excess of earnings per unit	Yen	-	-	-	-	-
Ordinary income to total assets ratio *4	%	1.9	1.9	1.8	1.8	1.9
Annualized	%	3.9	3.8	3.6	3.6	3.8
Return on equity*4	%	3.7	3.6	3.5	3.4	3.7
Annualized	%	7.4	7.3	6.9	6.9	7.3
Equity ratio *4	%	52.4	52.5	52.5	52.5	51.9
Period-on- period changes		0.3	0.1	0.0	0.0	(0.6)
Payout ratio*4	%	100.1	100.0	100.0	100.0	100.0
[Other reference information]						
Days of Operation	Days	184	182	184	181	184
Number of investment properties at end of period	Properties	25	28	28	28	38
Depreciation	Thousand yen	84,363	124,131	125,041	126,341	174,386
Capital expenditures	Thousand yen	27,922	36,404	25,158	44,298	27,651

Fiscal period		6th fiscal period from August 1, 2019 to January 31, 2020	7th fiscal period from February 1, 2020 to July 31, 2020	8th fiscal period from August 1, 2020 to January 31, 2021	9th fiscal period from February 1, 2021 to July 31, 2021	10th fiscal period from August 1, 2021 to January 31, 2022
Lease NOI (Net Operating Income) *4	Thousand yen	1,194,309	1,369,800	1,393,996	1,381,849	1,856,982
FFO (Funds from Operations) *4	Thousand yen	967,334	1,094,619	1,143,612	1,127,381	1,439,115
FFO per unit*4	Yen	4,081	3,868	4,041	3,983	4,088
Loan to Value (LTV) at end of period*4	%	43.6	43.6	43.5	43.6	44.1

*1 "Net income per unit" is the amount obtained by dividing net income by the weighted average number of investment units based on the number of days and rounding to the nearest whole number.

*2 Operating revenue do not include consumption taxes

*3 Unless otherwise stated, all figures are truncated, and percentages are rounded to the nearest first decimal place.

*4 Calculations are based on the following formulas:

Net assets per unit	$\text{Net assets} \div \text{Total number of investment units issued and outstanding}$
Ordinary income to total assets ratio	$\text{Ordinary income} \div \{(\text{Total assets at beginning of period} + \text{Total assets at end of period}) \div 2\} \times 100$
Return on equity	$\text{Net income} \div \{(\text{Net assets at beginning of period} + \text{Net assets at end of period}) \div 2\} \times 100$
Equity ratio	$\text{Net assets at end of period} \div \text{Total assets at end of period} \times 100$
Payout ratio	$\text{Distribution per unit (excluding distribution in excess of earnings)} \div \text{Net income per unit} \times 100$ The payout ratios for the 7th and 10th fiscal periods are calculated based on the following formula, as the number of investment units changed due to the capital increase during those periods. $\text{Total distributions (excluding distributions in excess of earnings)} \div \text{Net income} \times 100$
Lease NOI (Net Operating Income)	$\text{Real estate lease revenues} - \text{Real estate lease expenses} + \text{Depreciation}$
FFO (Funds from Operations)	$\text{Net income} + \text{Depreciation} - \text{Gain/loss on sale of real estate}$
FFO per unit	$\text{FFO} \div \text{Total number of investment units issued and outstanding}$
Loan to Value (LTV) at end of period	$\text{Balance of interest-bearing debt at end of period} \div \text{Total assets at end of period} \times 100$

2. Status in Asset Management during the Current Fiscal Period

(1) 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 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 the Four Major Metropolitan Areas*² where the concentrated population and leasehold land are expected to last*³. As a result of the acquisition of 11 new properties (including the additional acquisition of tonarie Toga·Mikita) (total acquisition price: 17,624 million yen) on August 3, 2021, ESCON REIT now owns 38 properties with a total acquisition price of 69,604 million yen as of the end of the current fiscal period.

ESCON REIT shares the same Vision Concept*⁴ as ES-CON Japan Ltd. (hereinafter “ES-CON JAPAN”) in becoming a Lifestyle Developer*⁵ that develops not only buildings but also the lives of those who live in the buildings 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, and we aim to maximize unitholder value through consistently expanding our assets under management.

As the parent company of the Asset Manager, ES-CON JAPAN is a consolidated subsidiary 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 Chuden Real Estate Co., Inc. (hereinafter “Chuden Real Estate”).

*¹ A “Commercial “Facility” refers to real estate occupied chiefly by commercial tenants, such as 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 hereinafter.

*² The “Four Major Metropolitan Areas” refers to the Tokyo Metropolitan Area, the Kinki Metropolitan Area, the Chukyo Metropolitan Area and the 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, the Chukyo Metropolitan Area refers to Aichi, Shizuoka, Mie and Gifu Prefectures, and the Fukuoka Metropolitan Area refers to Fukuoka Prefecture.

*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 hereinafter.

*⁴ ESCON REIT’s “Vision Concept” is creating the ideal community that residents love and enjoy with pride. 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. The term “Vision Concept” has been coined by combining the words “Vision”, which refers to a state in which an entity hopes to be in the future, and “Concept”, which refers to an idea or notion. This term is used in this document to signify how ESCON REIT aims to be, and the basic concept.

*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 while thinking of their happiness, creating richness unprecedented in the real estate industry, and 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; i.e., a developer with a comprehensive approach to all aspects of development as a business.

(2) Operating environment and management performance

As for the Japanese economy during the current fiscal period, although real GDP growth in the October-December period of 2021 (second preliminary report) was positive at 1.1% (4.6% annualized), due to positive contributions from private final consumption expenditures, net exports of goods and services, and private-sector business facilities, the situation remains challenging, with priority measures to prevent the spread of diseases being implemented in various regions since January 2022 due to an increase in the number of people infected with the Omicron strain of COVID-19.

In the J-REIT market during the current fiscal period, in particular, since the beginning of 2022, the risk of rising U.S. interest rates, the outbreak of Omicron strain infections, and the increasingly tense situation in Ukraine have contributed to a significant drop in prices, with the TSE REIT Index at one point falling below 1,800 points. In commercial facilities, the situation for tenants in the apparel, restaurant, and service industries remains 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 38 assets under management as of the end of the current fiscal period was 99.7%.

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. In October 2021, ESCON REIT received a 2 Star GRESB rating in the 2021 GRESB Real Estate Assessment, a five-star rating system based on the overall global ranking. Further, ESCON REIT received a Green Star rating, indicating that we excelled in both the Management Component, which evaluates company policies and organizational structures for ESG promotion, and Performance Component, which evaluates environmental performance and efforts with tenants at the owned properties.

(3) Procurement of funds

During the current fiscal period, for the acquisition of 11 retail properties on August 3, 2021, ESCON REIT raised funds of 9,207 million yen by issuing new investment units through a public offering with a payment date of August 2, 2021. In addition, funds of 460 million yen were raised through the issuance of new investment units by the means of a third-party allotment with a payment date of August 24, 2021. Consequently, the total investment amount at the end of the current fiscal period was 38,107 million yen and the total number of investment units issued and outstanding was 351,967 units. ESCON REIT made a new loan of 9,420 million yen on August 3, 2021. On October 29, 2021, ESCON REIT repaid 405 million yen in loans before maturity using the proceeds from the issuance of new investment units through a third-party allotment. Furthermore, on January 14, 2022, ESCON REIT released all security interests in existing loans, and on January 31, 2022, the Company refinanced 9,960 million yen of loans payable with a repayment date of January 31, 2022. As a result, the balance of interest-bearing debt as of the end of the current fiscal period was 33,445 million yen, and the ratio of interest-bearing debt to total assets (hereinafter referred to as “LTV”) was 44.1%.

ESCON REIT received an issuer rating of “A-” (Stable) from 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.

(4) Performance and distributions

As a result of the management actions described above, ESCON REIT posted operating revenue of 2,476 million yen, operating income of 1,506 million yen, ordinary income of 1,265 million yen and net income of 1,264 million yen for the current fiscal period.

For distribution, ESCON REIT has decided to distribute an amount of 1,264,617,431 yen as earnings distributions, which is almost equal 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 3,593 yen.

3. Capital Increase

Changes in the Unitholders’ capital and the total number of investment units issued and outstanding for ESCON REIT since its establishment through January 31, 2022 are as follows:

Date	Summary	Total number of investment units issued and outstanding (units)		Unitholders’ capital-(million yen)		Remarks
		Increase (decrease)	Balance	Increase (decrease)	Balance	
August 26, 2016	Establishment through private placement	2,000	2,000	200	200	*1
February 13, 2017	Capital increase through private placement	7,500	9,500	750	950	*2
October 13, 2017	Investment unit split	500	10,000	-	950	*3
December 1, 2017	Capital increase through private placement	38,649	48,649	3,671	4,621	*4
February 12, 2019	Capital increase through public offering	188,351	237,000	18,319	22,941	*5
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236	28,177	*6
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261	28,439	*7
August 2, 2021	Capital increase through public offering	65,700	348,682	9,207	37,646	*8
August 24, 2021	Capital increase through third-party allotment	3,285	351,967	460	38,107	*9

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

*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 on October 13, 2017, which is 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.

*8 ESCON REIT issued new investment units through a public offering with offer price per unit 145,282 yen (issue price of 140,141 yen) for the purpose of raising funds to acquire specified assets.

*9 ESCON REIT issued new investment units through a third-party allotment with issue price per unit 140,141 yen, for the purpose of raising funds for the future acquisition of specific assets or repayment of loans.

<Changes in exchange prices for investment securities>

The following table shows the highest and lowest prices (closing prices) by fiscal period on the Real Estate Investment Trust Securities Market of the Tokyo Stock Exchange, where ESCON REIT's investment securities are listed.

Fiscal period	6th fiscal period	7th fiscal period	8th fiscal period	9th fiscal period	10th fiscal period
End of period	January 2020	July 2020	January 2021	July 2021	January 2022
Highest (Yen)	140,900	134,100	124,000	156,500	150,500
Lowest (Yen)	111,000	70,900	97,500	120,000	134,200

4. Distributions

During the current fiscal period, ESCON REIT decided to distribute a substantial amount of unappropriated retained earnings of 1,264 million yen in accordance with the distribution policy stipulated in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,593 yen.

Fiscal period	6th fiscal period from August 1, 2019 to January 31, 2020	7th fiscal period from February 1, 2020 to July 31, 2020	8th fiscal period From August 1, 2020 to January 31, 2021	9th fiscal period from February 1, 2021 to July 31, 2021	10th fiscal period From August 1, 2021 to January 31, 2022
Total amount of unappropriated retained earnings (thousand yen)	883,725	970,678	1,018,621	1,001,208	1,264,747
Retained earnings brought forward (thousand yen)	189	50	169	18	130
Total cash distributions (thousand yen)	883,536	970,628	1,018,452	1,001,190	1,264,617
Distribution per unit (yen)	3,728	3,430	3,599	3,538	3,593
Consisting of total earnings distributions (thousand yen)	883,536	970,628	1,018,452	1,001,190	1,264,617
Earnings distribution per unit (yen)	3,728	3,430	3,599	3,538	3,593
Consisting of total contribution refunds (thousand yen)	-	-	-	-	-
Contribution refund per unit (yen)	-	-	-	-	-
Total distributions from allowance for temporary difference adjustments out of total contribution refunds (thousand yen)	-	-	-	-	-
Distribution from allowance for temporary difference adjustments per unit out of per-unit contribution refund (yen)	-	-	-	-	-
Total distributions from capital reduction for tax purposes out of total contribution refunds (thousand yen)	-	-	-	-	-
Distribution from capital reduction for tax purposes per unit out of per-unit contribution refund (yen)	-	-	-	-	-

5. Future Management Policies and Issues to be Addressed

(1) Outlook for the overall management environment

On the outlook of the Japanese economy, although the economy is expected to pick up due to the roll-out of vaccinations against COVID-19 and other factors, the Company will pay close attention to the impact of the spread of infection, supply constraints, downside risks due to trends in raw material prices, and the effects of fluctuations in the financial and capital markets.

Regarding the Japanese real estate investment market, the impact of COVID-19 on medium-long term market trends and tenants of commercial facilities must be closely monitored given the serious downturn in the real economy. On the contrary, we predict that prices will remain high as inquiries from overseas for Japanese real estate remain strong, and the influx of funds from outside Japan is expected to continue.

Under these circumstances, ESCON REIT will continue to appropriately manage the assets and ensure stable and sound financial

operations are in place to secure strong revenues and steadily increase asset values over the medium to long term.

(2) Internal growth

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

a. Maintaining and increasing rent revenue

ESCON REIT will understand the trends and needs of tenants (such as factors for customer dissatisfaction, and their potential needs for both facility hardware and software) through the periodic exchange of information with the property management company, and will strive to improve tenant satisfaction and build and strengthen relationships of trust by implementing appropriate and prompt responses. Based on these measures, ESCON REIT will aim to secure stable revenues by maintaining and increasing rental revenue and preventing cancellations.

For new tenant leasing, ESCON REIT will make efforts to maximize the rent generation period and 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 in charge of new tenant leasing.

b. Streamlining of 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. For operating and managing properties, ESCON REIT will efficiently manage the assets by strengthening the relationship with the property management company.

(3) 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, in collaboration with the Chubu Electric Power Group (Chubu Electric Power and its subsidiaries and affiliates), a support company. By making the maximum use of sponsor support from ES-CON JAPAN in the form of preferential negotiation rights and support for the redevelopment of assets under management, as well as support from Chuden Real Estate, primarily in the form of warehousing, ESCON REIT will seek to expand the scale of its assets and to improve the quality of its portfolio.

(4) Financial policy

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

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

When making 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 acquired real estates. 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.

For the LTV, we will set 50% as the upper limit, in principle, based on our policy of maintaining a conservative threshold.

We will also efficiently and appropriately manage cash by accurately assessing the financing needs of our portfolio through constant monitoring.

6. Significant Subsequent Events

Not applicable.

■ Overview of ESCON REIT

1. Investment Status

	6th fiscal period January 31, 2020	7th fiscal period July 31, 2020	8th fiscal period January 31, 2021	9th fiscal period July 31, 2021	10th fiscal period January 31, 2022
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	237,000	282,982	282,982	282,982	351,967
Total amount of investment (million yen)	22,941	28,439	28,439	28,439	38,107
Number of unitholders (people)	10,608	11,910	12,024	11,727	13,493

2. Matters Concerning Investment Units

The major unitholders as of January 31, 2022 are as follows:

Company name	Number of investment units held (units)	Ratio to total number of investment units issued and outstanding (%) *
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,239	13.1
Custody Bank of Japan, Ltd. (Trust Account)	29,190	8.3
Osaka co-sei Shinkin Bank	20,940	5.9
ES-CON JAPAN Ltd.	16,894	4.8
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	13,440	3.8
Osaka Shoko Shinkin Bank	9,199	2.6
NISSEI BUILD KOGYO CO., LTD.	9,190	2.6
Daido Shinyo Kumiai	6,415	1.8
Kinkisangyo Shinkumi Bank	6,226	1.8
Custody Bank of Japan, Ltd. (Securities Trust Investment Account)	5,285	1.5
Total	163,018	46.3

* The "ratio to total number of investment units issued and outstanding" is rounded to the nearest first decimal place.

3. Matters Concerning Officers

(1) The Executive Director, Supervisory Director and Accounting Auditor for the current fiscal period are as follows:

Title	Name	Major concurrent positions	Total remuneration for each officer during the current fiscal period (thousand yen)*4*5
Executive Director*1	Atsumu Sasaki*2	ES-CON ASSET MANAGEMENT Ltd. Senior Executive Officer General Manager Reit Asset Management Dept.	—
	Satoshi Omori*2	ES-CON ASSET MANAGEMENT Ltd. ES-CON JAPAN Ltd. President & Representative Director Executive Director	
Supervisory Director*1	Satoshi Ugajin	JBA Holdings Co., Ltd. Director	2,769
		Japan Business Assurance Co., Ltd. Managing Director	
		JBA HR Solution Co., Ltd. Info Cubic Japan Co., Ltd. Director Auditor (Part-time) Outside Director	
	Rin Moriguchi*3	Momo-o, Matsuo & Namba Law Office Partner Attorney	
Masato Yamanaka*3	Koma&Ono Glocal Law Office Makis Co., Ltd. Fukushi Trust Planning Co., Ltd. Attorney Auditor (Part-time) Director (Part-time)		

Title	Name	Major concurrent positions	Total remuneration for each officer during the current fiscal period (thousand yen)*4*5
Audit Firm	BDO Sanyu & Co.	-	7,600

*1 Neither the Executive Director nor the Supervisory Director owns investment units of ESCON REIT in their own name, or in the name of others. In addition, the Supervisory Directors may be directors of corporations other than those listed above, but none of them, including those listed above, have any interest in ESCON REIT.

*2 Satoshi Omori resigned as Executive Director of ESCON REIT at the conclusion of the 6th General Meeting of Unitholders on October 22, 2021. Atsumu Sasaki was appointed as an executive director of ESCON REIT at the conclusion of the general meeting of unitholders. The “Major concurrent positions” of Satoshi Omori shows the status of concurrent positions he held at the time of his retirement.

*3 Masato Yamanaka resigned as a supervisory director of ESCON REIT at the conclusion of the 6th General Meeting of Unitholders on October 22, 2021. Rin Moriguchi was appointed as a supervisory director of ESCON REIT at the conclusion of the general meeting of unitholders. The “Major concurrent positions” of Masato Yamanaka shows the status of concurrent positions he held at the time of his retirement.

*4 The executive directors did not receive any remuneration from ESCON REIT during the current fiscal period. For supervisory directors, the amounts paid for the current fiscal period (including the amount paid to supervisory directors whose terms of office have expired), and for the fees paid to the audit firm, the amounts to be paid for the financial statement audit during the current fiscal period (estimated amount) have been disclosed.

*5 Fees paid to the audit firm includes remuneration (of 1,000 thousand yen) for services in connection with the comfort letter in issuing the new investment units on August 2, 2021.

(2) Policy on dismissal and non-reappointment of audit firm.

The dismissal of the audit firm shall be made in accordance with the provisions of the Investment Trust Act, and the non-reappointment of the audit firm shall be considered at a meeting of the Board of Directors of ESCON REIT, comprehensively taking into account the quality of the audit, audit fees, and other various circumstances.

4. Matters Concerning Liability insurance policies for directors and officers

Liability insurance policies for directors and officers that ESCON REIT has in place are as follows:

Scope of the Insured Persons	Summary of Contract
All executive and supervisory directors	<p><Summary of Accidents Covered by Insurance> ESCON REIT has entered into a liability insurance policy for directors and officers with an insurance company as stipulated in Article 116-3, Paragraph 1 of the Investment Trust Law, and the policy will cover certain damages to be borne by the insured person due to claims for damages arising from actions taken by the insured person based on his or her role as a director of ESCON REIT.</p> <p><Premium contribution ratio> The premiums for all insured persons are fully paid by ESCON REIT.</p> <p><Measures to ensure that the appropriate execution of duties is not compromised> Damages incurred by the insured person due to breach of trust, criminal or fraudulent acts, or acts committed with knowledge of violation of laws and regulations are not covered.</p>

5. Asset Management Company, Asset Custodian, and Administrative Agents

As of January 31, 2022, the Asset Management Company, Asset Custodian, and Administrative Agents for ESCON REIT are as follows:

Classification	Company name
Asset Management Company	ES-CON ASSET MANAGEMENT Ltd.
Asset Custodian	Sumitomo Mitsui Trust Bank, Ltd.
Administrative Agent (Administrator of the Investors' Registry)	Sumitomo Mitsui Trust Bank, Ltd.
Administrative Agent (Institutional Management)	Sumitomo Mitsui Trust Bank, Ltd.
Administrative Agent (Accounting Services)	Tokyo Kyodo Accounting Office Co., Ltd.

■ Status of Portfolio Assets

1. Composition of Assets

Type of asset	Region	9th fiscal period As of July 31, 2021		10th fiscal period As of January 31, 2022	
		Total holdings (Million yen) *1	Ratio to total assets (%) *2	Total holdings (Million yen) *1	Ratio to total assets (%) *2
Real estate in trust	Tokyo Metropolitan Area	7,788	13.9	7,779	10.3
	Kinki Area	26,633	47.5	34,393	45.4
	Chukyo Area	5,058	9.0	5,035	6.6
	Fukuoka Area	10,537	18.8	10,537	13.9
	Other	2,136	3.8	12,043	15.9
Total real estate in trust		52,153	93.0	69,790	92.0
Deposits and other assets		3,908	7.0	6,050	8.0
Total assets		56,061	100.0	75,840	100.0

*1 "Total Holdings" is based on the balance sheet amount as of the end of each fiscal period, truncated to the nearest million yen.

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

2. Major Assets

The following is a summary of the major assets (top 10 properties by book value) held by ESCON REIT as of January 31, 2022:

Property number *1	Property name	Book value (Million yen) *2	Leasable area (m ²) *3	Leased area (m ²) *3	Occupancy rate (%) *3 *4	Ratio to total real estate leasing revenue (%)	Primary use
KT-1	tonarie Minamisenri	7,174	7,535.16	7,535.16	100.0	13.2	Commercial facility
KT-4	tonarie Toga・Mikita	6,962	8,471.24	8,471.24	100.0	10.4	Commercial facility
OT-1	Suroy Mall Nagamine	4,628	12,615.46	12,383.36	98.2	7.0	Commercial facility
TT-1	Pare Marche Nishiharu	4,552	26,432.58	26,397.85	99.9	6.5	Commercial facility
KT-3	tonarie Yamatotakada (50% ownership)	4,126	14,399.77	13,428.58	93.3	6.8	Commercial facility
OT-2	Fuji Grand Natalie	3,968	28,543.96	28,543.96	100.0	Not disclosed *5	Commercial facility
FS-1	MrMax Kasuga (Leasehold land)	3,428	38,113.27	38,113.27	100.0	3.4	Commercial facility
ST-1	Asumigaoka Brand-New Mall	3,214	22,480.50	22,412.01	99.7	9.9	Commercial facility
	Asumigaoka Brand-New Mall (Leasehold land)		2,672.67	2,672.67	100.0		
KT-2	tonarie Seiwadai	3,211	8,798.01	8,798.01	100.0	7.5	Commercial facility
KS-5	LIFE Daisen Store (Leasehold land)	2,758	9,264.48	9,264.48	100.0	2.9	Commercial facility
	Total	44,025	179,327.10	178,020.59	99.3	Not disclosed *5	

*1 The "Property Number" is a code given to a portfolio asset according to the region which the asset is located and whether the asset is leasehold land or land and buildings. For the Tokyo Metropolitan Area: ST- (Tokyo Metropolitan Area's land and buildings) and SS- (Tokyo Metropolitan Area's leasehold land); for the Kinki Metropolitan Area: KT- (Kinki Metropolitan Area's land and buildings) and KS- (Kinki Metropolitan Area's leasehold land); for the Chukyo Metropolitan Area: TT- (Chukyo Metropolitan Area's land and buildings) and TS- (Chukyo Metropolitan Area's leasehold land); for the Fukuoka Metropolitan Area, FT- (Fukuoka Metropolitan Area's land and buildings) and FS- (Fukuoka Metropolitan Area's leasehold land); and for areas outside the Four Major Metropolitan Areas: OT- (Other land and buildings) and OS- (Other leasehold land). The same applies hereinafter.

*2 The "Book Value" is truncated to the stated value. The same applies hereinafter.

*3 Leasable Area" is the sum of the areas of the lease agreements for the buildings (or the leasehold land, if the acquired assets are leasehold land) of the acquired assets as of January 31, 2022, and "Leased Area" is the sum of the leased areas indicated in the respective lease agreements as of the same date, rounded to the second decimal place. The Leasable Area for Pare Marche Nishiharu is based on the leased area in the completion drawing for certain lease contracts where the leased area is not stated. Furthermore, the Leasable Area and Leased Area for tonarie Yamatotakada (50% ownership) are based on the area in the completion drawing. In addition, the Leased Area for assets for which a master lease agreement has been concluded is the total area that has actually been leased to end tenants with sublease agreements, rounded to the second decimal place. For "Fuji Grand Natalie," whose master leasing company is Fuji Co., Ltd., the leased area from the master lease agreement is rounded to the second decimal place. The occupancy rate is based on data as of January 31, 2022. Although ESCON

REIT owns a 50% quasi co-ownership interest in the trust beneficiary-interests pertaining to tonarie Yamatotakada, the table above shows the figures for the entire property.

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

Occupancy rate = Leased area ÷ Leasable area × 100

*5 The figure is not disclosed as consent has not been obtained from the lessee or other parties.

3. Real Estate Assets in the Portfolio

The following is a summary of assets held by ESCON REIT as of January 31, 2022:

Property number	Property name	Location	Type of ownership *1	Book value (Million yen)	Appraisal value at end of period (Million yen) *2
ST-1	Asumigaoka Brand-New Mall	Chiba City, Chiba Prefecture	Trust beneficiary interest	3,214	3,380
	Asumigaoka Brand-New Mall (Leasehold land)				296
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	Trust beneficiary interest	452	468
SS-1	K's Denki Oyumino Store (Leasehold land)	Chiba City, Chiba Prefecture	Trust beneficiary interest	2,737	2,880
SS-2	Nitori Tsuchiura Store (Leasehold land)	Tsuchiura City, Ibaraki Prefecture	Trust beneficiary interest	1,007	1,090
SS-3	Nitori Imaichi Store (Leasehold land)	Nikko City, Tochigi Prefecture	Trust beneficiary interest	368	407
KT-1	tonarie Minamisenri	Suita City, Osaka Prefecture	Trust beneficiary interest	7,174	8,010
KT-2	tonarie Seiwadai	Kawanishi City, Hyogo Prefecture	Trust beneficiary interest	3,211	3,400
KT-3	tonarie Yamatotakada (50% ownership)	Yamatotakada City, Nara Prefecture	Trust beneficiary interest	4,126	4,075
KT-4	tonarie Toga・Mikita	Sakai City, Osaka Prefecture	Trust beneficiary interest	6,962	7,120
KS-1	LAMU Kitatsumori Store (Leasehold land)	Osaka City, Osaka Prefecture	Trust beneficiary interest	1,284	1,480
KS-2	K's Denki Nishi-kobe Store (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interest	2,154	2,470
KS-3	Sanyo Marunaka Mitani Store (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interest	1,443	1,530
KS-4	TSUTAYA Sakai-minami Store (Leasehold land)	Sakai City, Osaka Prefecture	Trust beneficiary interest	955	1,030
KS-5	LIFE Daisen Store (Leasehold land)	Sakai City, Osaka Prefecture	Trust beneficiary interest	2,758	3,060
KS-6	Trial Omihachiman Store (Leasehold land)	Omihachiman City, Shiga Prefecture	Trust beneficiary interest	1,019	1,100
KS-7	Kusuri No Aoki Ikaruga Store (Leasehold land) *3	Ikoma District, Nara Prefecture	Trust beneficiary interest	718	(1)702 (2)28
KS-8	Drug Yutaka Muko Kamiueno Store (Leasehold land)	Muko City, Kyoto Prefecture	Trust beneficiary interest	464	477
KS-9	Welcia Amagasaki Muko-Motomachi Store (Leasehold land)	Amagasaki City, Hyogo Prefecture	Trust beneficiary interest	571	577
KS-10	Cocokarafine Neyagawa Park Store (Leasehold land)	Neyagawa City, Osaka Prefecture	Trust beneficiary interest	709	716
KS-11	ENEOS Ikawadani Service Station (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interest	535	531
KS-12	GEO Hikone Takamiya Store (Leasehold land)	Hikone City, Shiga Prefecture	Trust beneficiary interest	304	306
TT-1	Pare Marche Nishiharu	Kitanagoya City, Aichi Prefecture	Trust beneficiary interest	4,552	4,400
TS-1	MaxValu Kikyogaoka-higashi Store (Leasehold land)	Nabari City, Mie Prefecture	Trust beneficiary interest	483	539
FS-1	MrMax Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	3,428	3,930
FS-2	Uniqlo Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	601	668
FS-3	Avail SHIMAMURA Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	874	1,100
FS-4	au-SoftBank Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	145	160
FS-5	Kura Sushi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	264	304

Property number	Property name	Location	Type of ownership *1	Book value (Million yen)	Appraisal value at end of period (Million yen) *2
FS-6	Docomo Shop Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	163	182
FS-7	Konpiramaru Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	239	265
FS-8	One Karubi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	239	265
FS-9	Suke-san Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	405	423
FS-10	Nafco Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	2,666	3,420
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	1,506	1,840
OT-1	Suroy Mall Nagamine	Kumamoto City, Kumamoto Prefecture	Trust beneficiary interest	4,628	4,650
OT-2	Fuji Grand Natalie	Hatsukaichi City, Hiroshima Prefecture	Trust beneficiary interest	3,968	4,100
OS-1	K's Denki Kurashiki Store (Leasehold land)	Kurashiki City, Okayama Prefecture	Trust beneficiary interest	2,136	2,440
OS-2	Yamada Denki Tecc.Land Sapporo Shiroishi Store (Leasehold land)	Sapporo City, Hokkaido	Trust beneficiary interest	1,310	1,330
	Total			69,790	75,149

*1 "Trust beneficiary interest" refers to a trust beneficiary interest in which real estate is the primary trust asset.

*2 "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.

*3 A fixed-term business-use land lease agreement has been concluded for this property with two lessees, KUSURI NO AOKI HOLDINGS Co., Ltd, and Ikaritombo Co., Ltd. The book value is the sum of the amounts for the two lessees. In addition, the Appraisal value at end of period shows the portion pertaining to KUSURI NO AOKI HOLDINGS Co., Ltd. as (1) and the portion pertaining to Ikaritombo Co., Ltd. as (2).

The following is a summary of the leasing business of the real estate properties owned by ESCON REIT.

Property number	Property name	9th fiscal period From February 1, 2021 to July 31, 2021				10th fiscal period From August 1, 2021 to January 31, 2022			
		Total number of tenants	Occupancy rate	Real estate leasing business revenue	Percentage of total real estate leasing revenue	Total number of tenants	Occupancy rate	Real estate leasing business revenue	Percentage of total real estate leasing revenue
		(As of the end of the fiscal period) *1	(As of the end of the fiscal period) (%) *2	(During the fiscal period) (Million yen) *3	(%)	(As of the end of the fiscal period) *1	(As of the end of the fiscal period) (%) *2	(During the fiscal period) (Million yen) *3	(%)
ST-1	Asumigaoka Brand-New Mall	29	99.5	231	12.1	30	99.7	244	9.9
	Asumigaoka Brand-New Mall (Leasehold land)	2	100.0			2	100.0		
ST-2	Nishi-shiroi Ekimae Plaza	4	100.0	19	1.0	4	100.0	21	0.9
SS-1	K's Denki Oyumino Store (Leasehold land)	1	100.0	70	3.7	1	100.0	70	2.8
SS-2	Nitori Tsuchiura Store (Leasehold land)	1	100.0	Not disclosed *6	Not disclosed *6	1	100.0	Not disclosed *6	Not disclosed *6
SS-3	Nitori Imaichi Store (Leasehold land)	1	100.0	Not disclosed *6	Not disclosed *6	1	100.0	Not disclosed *6	Not disclosed *6
KT-1	tonarie Minamisenri	45	100.0	322	16.9	45	100.0	328	13.2
KT-2	tonarie Seiwadai	33	100.0	185	9.7	33	100.0	184	7.5
KT-3	tonarie Yamatotakada (50% ownership)	62	92.6	183	9.6	63	93.3	167	6.8
KT-4	tonarie Toga・Mikita*4	32	100.0	129	6.8	32	100.0	257	10.4
KS-1	LAMU Kitatsumori Store (Leasehold land)	1	100.0	38	2.0	1	100.0	38	1.5
KS-2	K's Denki Nishi-kobe Store (Leasehold land)	1	100.0	62	3.3	1	100.0	62	2.5
KS-3	Sanyo Marunaka Mitani Store (Leasehold land)	1	100.0	Not disclosed *6	Not disclosed *6	1	100.0	Not disclosed *6	Not disclosed *6
KS-4	TSUTAYA Sakai-minami Store (Leasehold land)	1	100.0	21	1.1	1	100.0	21	0.9
KS-5	LIFE Daisen Store (Leasehold land)	1	100.0	72	3.8	1	100.0	72	2.9
KS-6	Trial Omihachiman Store (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
KS-7	Kusuri No Aoki Ikaruga Store (Leasehold land) *5	—	—	—	—	2	100.0	Not disclosed *6	Not disclosed *6
KS-8	Drug Yutaka Muko Kamiueno Store (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
KS-9	Welcia Amagasaki Muko-Motomachi Store (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
KS-10	Cocokarafine Neyagawa Park Store (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
KS-11	ENEOS Ikawadani Service Station (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
KS-12	GEO Hikone Takamiya Store (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
TT-1	Pare Marche Nishiharu	52	98.9	160	8.4	56	99.9	161	6.5

Property number	Property name	9th fiscal period From February 1, 2021 to July 31, 2021				10th fiscal period From August 1, 2021 to January 31, 2022			
		Total number of tenants	Occupancy rate	Real estate leasing business revenue	Percentage of total real estate leasing revenue	Total number of tenants	Occupancy rate	Real estate leasing business revenue	Percentage of total real estate leasing revenue
		(As of the end of the fiscal period) *1	(As of the end of the fiscal period) (%) *2	(During the fiscal period) (Million yen) *3	(%) *6	(As of the end of the fiscal period) *1	(As of the end of the fiscal period) (%) *2	(During the fiscal period) (Million yen) *3	(%) *6
TS-1	MaxValu Kikyogaoka-higashi Store (Leasehold land)	1	100.0	Not disclosed *6	Not disclosed *6	1	100.0	Not disclosed *6	Not disclosed *6
FS-1	MrMax Kasuga (Leasehold land)	1	100.0	84	4.4	1	100.0	84	3.4
FS-2	Uniqlo Kasuga (Leasehold land)	1	100.0	13	0.7	1	100.0	13	0.6
FS-3	Avail SHIMAMURA Kasuga (Leasehold land)	1	100.0	23	1.2	1	100.0	23	0.9
FS-4	au-SoftBank Kasuga (Leasehold land)	1	100.0	3	0.2	1	100.0	3	0.2
FS-5	Kura Sushi Kasuga (Leasehold land)	1	100.0	7	0.4	1	100.0	7	0.3
FS-6	Docomo Shop Kasuga (Leasehold land)	1	100.0	4	0.2	1	100.0	4	0.2
FS-7	Konpiramaru Kasuga (Leasehold land)	1	100.0	6	0.3	1	100.0	6	0.3
FS-8	One Karubi Kasuga (Leasehold land)	1	100.0	6	0.3	1	100.0	6	0.3
FS-9	Suke-san Kasuga (Leasehold land)	1	100.0	10	0.5	1	100.0	10	0.4
FS-10	Nafco Kasuga (Leasehold land)	1	100.0	Not disclosed *6	Not disclosed *6	1	100.0	Not disclosed *6	Not disclosed *6
FS-11	K's Denki Kasuga (Leasehold land)	1	100.0	37	1.9	1	100.0	37	1.5
OT-1	Suroy Mall Nagamine	—	—	—	—	24	98.2	172	7.0
OT-2	Fuji Grand Natalie	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
OS-1	K's Denki Kurashiki Store (Leasehold land)	1	100.0	Not disclosed *6	Not disclosed *6	1	100.0	Not disclosed *6	Not disclosed *6
OS-2	Yamada Denki Tecc.Land Sapporo Shiroishi Store (Leasehold land)	—	—	—	—	1	100.0	Not disclosed *6	Not disclosed *6
	Total	280	99.5	1,910	100.0	320	99.7	2,476	100.0

*1 The total number of tenants is based on the data as of the respective closing dates. The total number of lease agreements with end-tenants is shown for properties with pass-through master lease agreements. Number of end-tenants for "Fuji Grand Natalie," whose master leasing company is Fuji Co., Ltd., is not stated, and only the number of master lease companies is stated.

*2 The occupancy rate is calculated by the formula below based on data as of the end of each fiscal period.

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

*3 The real estate leasing business revenue is truncated to the stated value.

*4 As of February 4, 2020, ESCON REIT acquired a 50% quasi co-ownership interest in the trust beneficiary interest in the real estate, and on August 3, 2021, ESCON REIT acquired the remaining 50% quasi co-ownership interest in the trust beneficiary interest in the real estate, and accordingly, as of January 31, 2022, ESCON REIT owns the entire trust beneficiary interest in the real estate.

*5 A fixed-term business-use land lease agreement was entered into for this property with two lessees, KUSURI NO AOKI HOLDINGS Co., Ltd. and Ikaritombo Co., Ltd. Each figure is the sum of the figures for the two lessees.

*6 The figure is not disclosed as consent has not been obtained from the lessee or other parties.

4. Description of Renewable Energy Power Generation Facilities

Not applicable.

5. Description of Operating Rights of Public Facilities

Not applicable.

6. Description of Portfolio in securities

Not applicable.

7. Summary of Outstanding Contracted Amount and Fair Value of Specified Transactions

Not applicable.

8. Status of Other Assets

The trust beneficiary interests in real estate held by ESCON REIT are collectively listed in “3. Breakdown of Real Estate and Other Assets”.

9. Asset Holdings by Country and Region

There are no applicable items for countries and regions other than Japan.

■ Capital Expenditures on Real Estate Holdings

1. Planned Capital Expenditures

There are no major constructions that fall under the category of capital expenditures currently planned for the assets held as of January 31, 2022.

2. Capital Expenditures During the Fiscal Period

There are no major constructions that fall under the category of capital expenditures conducted during the current fiscal period for the assets held as of January 31, 2022.

3. Money Set Aside for Long-Term Repair Projects

Based on the long-term repair plans for each property, ESCON REIT has set aside the following reserve for repairs, which is intended to be used for future medium to long-term repairs.

Business period	6th fiscal period from August 1, 2019 to January 31, 2020	7th fiscal period from February 1, 2020 to July 31, 2020	8th fiscal period from August 1, 2020 to January 31, 2021	9th fiscal period from February 1, 2021 to July 31, 2021	10th fiscal period from August 1, 2021 to January 31, 2022
Reserve balance at start of fiscal period (Million yen)	27	49	64	80	95
Amount accumulated during the fiscal period (Million yen)	22	15	15	15	28
Amount reversed during the fiscal period (Million yen)	(1)	-	-	-	-
Amount carried over to the next fiscal period (Million yen)	49	64	80	95	124

■ Expenses and Liabilities

1. Breakdown of Operational Expenses

(Unit: Thousand yen)

Item	9th fiscal period from February 1, 2021 to July 31, 2021	10th fiscal period from August 1, 2021 to January 31, 2022
Asset management fees*	102,495	105,335
Asset custody fees	2,771	3,514
Administrative agent fees	9,402	11,492
Directors' remuneration	3,000	2,769
Taxes and public dues	8,109	12,649
Other expenses	35,158	40,268
Total	160,936	176,029

* In addition to the abovementioned amounts, asset management fees include 88,123 thousand yen in the 10th fiscal period for property acquisition fees that were included in the book value of investment properties. There are no applicable items for the 9th fiscal period.

2. Status of Borrowings

The status of borrowings as of January 31, 2022 is as follows:

Classification	Lender	Date of borrowing	Balance at beginning of fiscal period (Thousand yen)	Balance at end of fiscal period (Thousand yen)	Average interest rate *2 (%)	Date of Repayment	Repayment method	Use of funds	Summary
Short-term borrowings	Mizuho Bank, Ltd.	August 3, 2021	-	354,000	0.259	July 31, 2022	Bullet repayment	*5	-
	Total of Short-term borrowings		-	354,000					
Long-term borrowings*1	Sumitomo Mitsui Banking Corporation	February 13, 2019	1,765,000	-	0.482	*4	Bullet repayment	*5	-
	Mizuho Bank, Ltd.		1,665,000	-					
	The Bank of Fukuoka, Ltd.		1,530,000	-					
	AEON Bank, Ltd.		1,000,000	-					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	-					
	MUFG Bank, Ltd.		1,000,000	-					
	The Minato Bank, Ltd.		750,000	-					
	Resona Bank, Limited		750,000	-					
	The Senshu Ikeda Bank, Ltd.		250,000	-					
	The Chiba Bank, Ltd.		250,000	-					
	Sumitomo Mitsui Banking Corporation		February 13, 2019	1,765,000					
	Mizuho Bank, Ltd.	1,665,000		1,665,000					
	The Bank of Fukuoka, Ltd.	1,430,000		1,430,000					
	AEON Bank, Ltd.	1,000,000		1,000,000					
	Sumitomo Mitsui Trust Bank, Limited	1,000,000		1,000,000					
	MUFG Bank, Ltd.	1,000,000		1,000,000					
	The Minato Bank, Ltd.	750,000		750,000					
	Resona Bank, Limited	750,000		750,000					
	The Senshu Ikeda Bank, Ltd.	250,000		250,000					
	The Chiba Bank, Ltd.	250,000		250,000					
	Mizuho Bank, Ltd.	February 4, 2020		1,210,000	1,210,000	0.408	January 31, 2024	Bullet repayment	*5
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	The Hyakugo Bank, Ltd.		500,000	500,000					
	AEON Bank, Ltd.		400,000	400,000					
	Sumitomo Mitsui Trust Bank, Limited		300,000	300,000					
	The Minato Bank, Ltd.		300,000	300,000					
	Resona Bank, Limited		300,000	300,000					
	The Aichi Bank, Ltd.		300,000	300,000					
	The Chukyo Bank, Limited		300,000	300,000					
	Mizuho Trust & Banking Co., Limited		300,000	300,000					
	The Senshu Ikeda Bank, Ltd.		200,000	200,000					

Classification	Lender	Date of borrowing	Balance at beginning of fiscal period (Thousand yen)	Balance at end of fiscal period (Thousand yen)	Average interest rate *2 (%)	Date of Repayment	Repayment method	Use of funds	Summary
Long-term borrowings*1	Mizuho Bank, Ltd.	August 3, 2021	-	687,000	0.409	July 31, 2025	Bullet repayment	*5	-
	The Bank of Yokohama, Ltd.		-	450,000					
	Sumitomo Mitsui Banking Corporation		-	400,000					
	Sumitomo Mitsui Trust Bank, Limited		-	400,000					
	The Aichi Bank, Ltd.		-	300,000					
	Resona Bank, Limited		-	250,000					
	The Minato Bank, Ltd.		-	200,000					
	Mizuho Trust & Banking Co., Ltd.		-	200,000					
	Sumitomo Mitsui Banking Corporation	August 3, 2021	-	500,000	0.509	July 31, 2026	Bullet repayment	*5	-
	Sumitomo Mitsui Trust Bank, Limited		-	400,000					
	MUFG Bank, Ltd.		-	400,000					
	The Yamaguchi Bank, Ltd.		-	400,000					
	Resona Bank, Limited		-	350,000					
	Mizuho Bank, Ltd.		-	337,000					
	The Hyakugo Bank, Ltd.		-	300,000					
	The Minato Bank, Ltd.	-	200,000						
	Mizuho Bank, Ltd.	August 3, 2021	-	737,000	0.559	July 31, 2027	Bullet repayment	*5	-
	The Chukyo Bank, Ltd.		-	500,000					
	AEON Bank, Ltd.		-	400,000					
	The Yamaguchi Bank, Ltd.		-	400,000					
The Bank of Yokohama, Ltd.	-		350,000						
The Minato Bank, Ltd.	-		300,000						
MUFG Bank, Ltd.	-		200,000						
Mizuho Bank, Ltd. *3	August 3, 2021	-	-	0.410	July 31, 2025	Bullet repayment	*5	-	
The Bank of Fukuoka, Ltd.	January 31, 2022	-	990,000	0.367	January 31, 2025	Bullet repayment	*6	-	
Resona Bank, Limited		-	750,000						
Mizuho Bank, Ltd.		-	271,000						
The Chiba Bank, Ltd.		-	250,000						
The Minato Bank, Ltd.		-	125,000						

Classification	Lender	Date of borrowing	Balance at beginning of fiscal period (Thousand yen)	Balance at end of fiscal period (Thousand yen)	Average interest rate *2 (%)	Date of Repayment	Repayment method	Use of funds	Summary
Long-term borrowings *1	Sumitomo Mitsui Banking Corporation	January 31, 2022	-	882,500	0.417	January 31, 2026	Bullet repayment	*6	-
	The Bank of Fukuoka, Ltd.		-	540,000					
	AEON Bank, Ltd.		-	500,000					
	MUFG Bank, Ltd.		-	500,000					
	Sumitomo Mitsui Trust Bank, Limited		-	500,000					
	Mizuho Bank, Ltd.		-	177,000					
	The Minato Bank, Ltd.		-	125,000					
	Sumitomo Mitsui Banking Corporation	January 31, 2022	-	882,500	0.517	January 31, 2027	Bullet repayment	*6	-
	Sumitomo Mitsui Trust Bank, Limited		-	500,000					
	AEON Bank, Ltd.		-	500,000					
	MUFG Bank, Ltd.		-	500,000					
	The Senshu Ikeda Bank, Ltd.		-	250,000					
	Mizuho Bank, Ltd.	-	217,000						
	Mizuho Bank, Ltd.	January 31, 2022	-	1,000,000	0.567	January 31, 2028	Bullet repayment	*6	-
	The Yamaguchi Bank, Ltd.		-	500,000					
	Total of Long-term borrowings		24,430,000	33,091,000					
	Total borrowings		24,430,000	33,445,000					

*1 "Long-term borrowings" includes debts which are scheduled for repayment within one year.

*2 The "average interest rate" is the weighted average for the fiscal period, rounded to the nearest third decimal place.

*3 The full amount of 405,000 thousand yen was repaid in advance on October 29, 2021.

*4 The entire amount was repaid on January 31, 2022, as a result of the refinancing on January 31, 2022.

*5 The funds will be used to purchase trust beneficiary interests in real estate (including incidental expenses)

*6 The funds will be used to refinance long-term borrowings of 9,960,000 thousand yen with a repayment date of January 31, 2022.

3. Status of Investment Corporation Bonds

Not applicable.

4. Status of Short-term Investment Corporation Bonds

Not applicable.

5. Status of New Investment Unit Acquisition Rights

Not applicable

■Status of Acquisition and Sale during the Period

1. Status of Acquisition and Disposition of Properties and Asset-Backed Securities, Infrastructure Assets, and Infrastructure Related Asset

Property number	Type of assets	Property name	Acquisition		Disposition			
			Date of acquisition	Acquisition price (million yen) *	Date of disposition	Disposition price (million yen) *	Book value (million yen)	Gain (loss) on sale (million yen)
KT-4	Trust beneficiary interests	tonarie Toga・Mikita (50% ownership)	August 3, 2021	3,496	-	-	-	-
KS-6		Trial Omihachiman Store (Leasehold land)		1,010	-	-	-	-
KS-7		Kusuri No Aoki Ikaruga Store (Leasehold land)		711	-	-	-	-
KS-8		Drug Yutaka Muko Kamiueno Store (Leasehold land)		460	-	-	-	-
KS-9		Welcia Amagasaki Muko-Motomachi Store (Leasehold land)		565	-	-	-	-
KS-10		Cocokarafine Neyagawa Park Store (Leasehold land)		702	-	-	-	-
KS-11		ENEOS Ikawadani Service Station (Leasehold land)		530	-	-	-	-
KS-12		GEO Hikone Takamiya Store (Leasehold land)		300	-	-	-	-
OT-1		Suroy Mall Nagamine		4,600	-	-	-	-
OT-2		Fuji Grand Natalie		3,950	-	-	-	-
OS-2		Yamada Denki Tecc.Land Sapporo Shiroishi Store (Leasehold land)		1,300	-	-	-	-
		Total			17,624	-	-	-

* "Acquisition price" and "disposition price" are the amounts that do not include the various expenses required in the acquisition or disposition of the property (such as brokerage fees, taxes and public dues), that is, the transaction price of the real estate stated in the trust beneficiary interests sale and purchase agreement. The amount is rounded down to the nearest million yen. The same applies hereunder.

2. Transactions Other Assets

Not applicable.

3. Review on Value of Specified Assets Properties

(1) Real estate

Acquisition or Disposition	Property number	Property name	Date of transaction	Type of assets	Acquisition price or Disposition price (million yen)	Appraisal value (million yen) ^{*1}	Appraisal agency	Date of value appraised
Acquisition	KT-4	tonarie Toga・Mikita (50% ownership)	August 3, 2021	Trust beneficiary interests	3,496	3,560	DAIWA REAL ESTATE APPRAISAL CO., LTD	May 31, 2021
	KS-6	Trial Omihachiman Store (Leasehold land)			1,010	1,090	JLL Morii Valuation & Advisory K.K.	
	KS-7	Kusuri No Aoki Ikaruga Store (Leasehold land) *2			711	(1)702 (2)27	JLL Morii Valuation & Advisory K.K.	
	KS-8	Drug Yutaka Muko Kamiueno Store (Leasehold land)			460	477	JLL Morii Valuation & Advisory K.K.	
	KS-9	Welcia Amagasaki Muko-Motomachi Store (Leasehold land)			565	577	Tanizawa Sogo Appraisal Co., Ltd.	
	KS-10	Cocokarafine Neyagawa Park Store (Leasehold land)			702	716	Tanizawa Sogo Appraisal Co., Ltd.	
	KS-11	ENEOS Ikawadani Service Station (Leasehold land)			530	531	Tanizawa Sogo Appraisal Co., Ltd.	
	KS-12	GEO Hikone Takamiya Store (Leasehold land)			300	306	Tanizawa Sogo Appraisal Co., Ltd.	
	OT-1	Suroy Mall Nagamine			4,600	4,640	JLL Morii Valuation & Advisory K.K.	
	OT-2	Fuji Grand Natalie			3,950	4,070	DAIWA REAL ESTATE APPRAISAL CO., LTD	
	OS-2	Yamada Denki Tecc.Land Sapporo Shiroishi Store (Leasehold land)			1,300	1,330	Tanizawa Sogo Appraisal Co., Ltd.	
		Total				17,624	18,026	

*1 Appraisal value shown above is based on "Real estate appraisal standards, Chapter 3, Appraisal of the value of real estate that is subject to securitization.

*2 A fixed-term business-use land lease agreement was entered into for two lessees, KUSURI NO AOKI HOLDINGS Co., Ltd. and Ikaritombo Co., Ltd. The acquisition price is the sum of the amounts for the two lessees. In addition, the appraisal value describes the transaction related to KUSURI NO AOKI HOLDINGS Co., Ltd. described as "(1)" and the transaction related to Ikaritombo Co., Ltd. described as "(2)".

(2) Other

Not applicable.

4. Transactions with interested parties

(1) Sales transactions with interested parties

Classification	Transaction amount *2	
	Purchase amount (thousand yen)/ratio *3	Sales amount (thousand yen)/ratio *3
Total	17,624,700	-
Breakdown of Transactions with Interested Parties		
Chuden Real Estate Co., Inc.	5,677,700 (32.2%)	-
ES-CON JAPAN Ltd.	11,947,000 (67.8%)	-
Total	17,624,700 (100.0%)	-

(2) Fees and expenses

Classification	Total amount of fees (A) (Thousand yen)	Breakdown of transactions with interested parties*1		Percentage of total amount paid (B/A) (%)
		Payment recipient	Amount paid (B) (Thousand yen)	
Administrative expenses	192,137	ES-CON PROPERTY Ltd. *4	136,429	71.0

*1 The term "Interested Parties" refers to parties that have entered into an asset management agreement with ESCON REIT as defined in Article 123 of the Enforcement Order for the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Regulations Concerning Management Reports for Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

*2 "Transaction amount" represents the total proceeds from the sale of each real estate trust beneficiary right as described in each trust beneficiary interests sales and purchase agreement in connection with the owned assets (and excludes consumption taxes, local consumption taxes, sales commissions and other related expenses), and rounded down to the nearest stated amount.

*3 The ratios are the ratios to the total purchase amount, rounded to the first decimal place.

*4 In addition to the amount described above, 697 thousand yen of construction management fee and other related costs were recorded as assets.

5. Transactions with the Asset Management Company Concerning Businesses Operated Concurrently by the Asset Management Company

The asset management company has operations to perform transactions classified as Type II Financial Instruments Business, Building Lots and Buildings Transaction Business, and Investment Advisory and Agency Business under the Financial Instruments and Exchange Act (Law No. 25 of 1948, including subsequent amendments) as of January 31, 2022, however, was not involved in any applicable transactions. In addition, the asset management company has no operations to perform transactions classified as Type I Financial Instruments Business.

■ Accounting Status

1. Status of Assets, Liabilities, Capital, and Profit/Loss

Please refer to II Balance Sheet, III Profit and Loss Statement, IV Statement of Changes in Net Assets (Unitholders' Equity), V Statements of Cash Dividend Distributions and VII Notes below.

2. Changes in Method to Calculate Depreciation Expenses

Not applicable.

3. Changes in Method to Evaluate Properties and Infrastructure Assets Expenses

Not applicable.

4. Status of Beneficiary Certificates of Investment Trust Established by ESCON JAPAN REIT Investment Corporation

Not applicable.

■ Other

1. Notices

(1) General Meeting of Unitholders

On October 22, 2021, the Fund's 6th general meeting of unitholders was held. A summary of the items approved at the general meeting of unitholders is as follows:

Date of approval	Item	Description
October 22, 2021	Partial Amendment to the Articles of Incorporation	Partial amendments were made to the Articles of Incorporation of ESCON REIT.
	Election of one (1) Executive Director	Atsumu Sasaki was appointed as Executive Director.
	Election of one (1) Substitute Executive Director	Yuki Yoshida was appointed as Substitute Executive Director.
	Election of two (2) Supervisory Directors	Satoshi Ugajin and Rin Moriguchi were appointed as Supervisory Directors.

(2) Board of Directors of Investment Corporation

Not applicable.

2. Other

In this document, unless otherwise stated, figures are truncated to the nearest whole unit and percentages are rounded off.

3. Disclosures Regarding Overseas Real Estate Holding Companies

Not applicable.

4. Disclosures Regarding Real Estate Held by Overseas Real Estate Holding Companies

Not applicable.

II Balance Sheets

(Unit: Thousand yen)

	Previous fiscal period (reference) (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
Assets		
Current assets		
Cash and deposits	1,380,368	2,091,168
Cash and deposits in trust *1	2,405,085	3,417,259
Operating accounts receivable	41,590	45,438
Consumption taxes refund receivable	-	315,296
Prepaid expenses	44,587	60,122
Other	260	1,577
Total current assets	3,871,893	5,930,863
Non-current assets		
Property, plant and equipment		
Buildings in trust	8,924,115	12,449,202
Accumulated depreciation	(548,580)	(717,071)
Buildings in trust, net *1	8,375,534	11,732,131
Structures in trust	145,289	145,289
Accumulated depreciation	(20,889)	(24,417)
Structures in trust, net *1	124,400	120,871
Tools, furniture and fixtures in trust	21,661	30,304
Accumulated depreciation	(4,646)	(7,013)
Tools, furniture and fixtures in trust, net *1	17,015	23,291
Land in trust *1	43,636,242	57,914,000
Total property, plant and equipment	52,153,193	69,790,294
Intangible assets		
Trademarks	718	664
Other	4,249	3,432
Total intangible assets	4,967	4,097
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	21,485	105,193
Deferred tax assets	9	19
Total investments and other assets	31,494	115,213
Total noncurrent assets	52,189,656	69,909,604
Total assets	56,061,549	75,840,468

(Unit: Thousand yen)

	Previous fiscal period (reference) (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
Liabilities		
Current liabilities		
Operating accounts payable	81,951	92,630
Short-term borrowings	-	354,000
Current portion of long-term borrowings *1	9,960,000	9,860,000
Accounts payable - other	12,771	61,119
Accrued expenses	122,324	128,228
Income taxes payable	803	1,011
Accrued consumption taxes	24,178	-
Advances received	269,096	340,676
Deposits received	114	1,894
Total current liabilities	10,471,241	10,839,560
Non-current liabilities		
Long-term borrowings *1	14,470,000	23,231,000
Leasehold and guarantee deposits received in trust	1,679,518	2,397,951
Total non-current liabilities	16,149,518	25,628,951
Total liabilities	26,620,759	36,468,511
Net assets		
Unitholders' equity		
Unitholders' capital	28,439,581	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,001,208	1,264,747
Total surplus	1,001,208	1,264,747
Total unitholders' equity	29,440,790	39,371,956
Total net assets *2	29,440,790	39,371,956
Total liabilities and net assets	56,061,549	75,840,468

III Statements of Income and Retained Earnings

(Unit: Thousand yen)

		Previous fiscal period (reference) (From February 1, 2021 To July 31, 2021)	Current fiscal period (From August 1, 2021 To January 31, 2022)
Operating revenue			
Leasing business revenue	*1	1,703,816	2,230,463
Other leasing business revenue	*1	207,013	246,164
Total operating revenue		1,910,829	2,476,628
Operating expenses			
Expenses related to leasing business	*1	655,322	794,032
Asset management fees		102,495	105,335
Asset custodian fees		2,771	3,514
Administrative service fees		9,402	11,492
Remuneration for director (and other officers)		3,000	2,769
Taxes and public dues		8,109	12,649
Other operating expenses		35,158	40,268
Total operating expenses		816,259	970,061
Operating income		1,094,570	1,506,567
Non-operating income			
Interest income		16	17
Other		-	1
Total non-operating income		16	18
Non-operating expenses			
Interest expenses		61,897	84,845
Financing fees		23,920	132,374
Amortization of organization expenses		5,686	-
Investment unit issuance expenses		-	22,247
Other		1,230	1,230
Total non-operating expenses		92,734	240,697
Ordinary income		1,001,852	1,265,888
Income before income taxes		1,001,852	1,265,888
Income taxes - current		806	1,168
Income taxes - deferred		6	(10)
Total income taxes		812	1,158
Net income		1,001,039	1,264,729
Retained earnings brought forward		169	18
Unappropriated retained earnings (undisposed loss)		1,001,208	1,264,747

IV Statements of Unitholders' Equity

Previous fiscal period (reference) (from February 1, 2021 to July 31, 2021)

(Unit: Thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	28,439,581	1,018,621	1,018,621	29,458,203	29,458,203
Changes of items during the period					
Dividends from surplus	-	(1,018,452)	(1,018,452)	(1,018,452)	(1,018,452)
Net income	-	1,001,039	1,001,039	1,001,039	1,001,039
Total changes of items during the period	-	(17,412)	(17,412)	(17,412)	(17,412)
Balance at the end of the period	*1 28,439,581	1,001,208	1,001,208	29,440,790	29,440,790

Current fiscal period (from August 1, 2021 to January 31, 2022)

(Unit: Thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	28,439,581	1,001,208	1,001,208	29,440,790	29,440,790
Changes of items during the period					
Issuance of new investment units	9,667,626	-	-	9,667,626	9,667,626
Dividends from surplus	-	(1,001,190)	(1,001,190)	(1,001,190)	(1,001,190)
Net income	-	1,264,729	1,264,729	1,264,729	1,264,729
Total changes of items during the period	9,667,626	263,538	263,538	9,931,165	9,931,165
Balance at the end of the period	*1 38,107,208	1,264,747	1,264,747	39,371,956	39,371,956

V Statements of Cash Dividend Distributions

	Previous fiscal period (reference) From February 1, 2021 To July 31, 2021	Current fiscal period From August 1, 2021 To January 31, 2022
I. Unappropriated retained earnings	1,001,208,970Yen	1,264,747,853Yen
II. Distributions	1,001,190,316Yen	1,264,617,431Yen
(Distributions per unit)	(3,538Yen)	(3,593Yen)
III. Retained earnings carried forward	18,654Yen	130,422Yen
How distributions were calculated	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESCON REIT has decided to distribute 1,001,190,316 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p>	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESCON REIT has decided to distribute 1,264,617,431 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p>

VI Statements of Cash Flows

	Previous fiscal period From February 1, 2021 To July 31, 2021	Current fiscal period From August 1, 2021 To January 31, 2022
Cash Flows from Operating Activities		
Income before income taxes	1,001,852	1,265,888
Depreciation	127,212	175,256
Amortization of organization expenses	5,686	-
Investment unit issuance expenses	-	22,247
Interest income	(16)	(17)
Interest expenses	61,897	84,845
Decrease (increase) in operating accounts receivable	(6,321)	(3,848)
Decrease (increase) in consumption taxes refund receivable	-	(315,296)
Decrease (increase) in prepaid expenses	(931)	(15,534)
Decrease (increase) in long-term prepaid expenses	10,987	(83,708)
Increase (decrease) in operating accounts payable	(12,845)	10,679
Increase (decrease) in accounts payable - other	(37,064)	46,772
Increase (decrease) in accrued expenses	(1,752)	6,000
Increase (decrease) in accrued consumption taxes	(4,327)	(24,178)
Increase (decrease) in advances received	3,831	71,579
Others, net	(2,366)	462
Subtotal	1,145,842	1,241,148
Interest received	16	17
Interest paid	(62,236)	(84,942)
Income taxes paid	(947)	(961)
Net cash provided by operating activities	1,082,674	1,155,262
Cash Flows from Investing Activities		
Purchase of property, plant and equipment in trust	(44,298)	(17,811,487)
Proceeds from leasehold and guarantee deposits received in trust	5,853	730,310
Refund of leasehold and guarantee deposits received in trust	(4,902)	(11,877)
Net cash used in investing activities	(43,347)	(17,093,054)
Cash Flows from Financing Activities		
Proceeds from short-term borrowings	-	354,000
Proceeds from long-term borrowings	-	19,026,000
Repayments of long-term borrowings	-	(10,365,000)
Proceeds from issuance of investment units	-	9,645,379
Distributions paid	(1,017,969)	(999,614)
Net cash provided by (used in) financing activities	(1,017,969)	17,660,765
Net increase (decrease) in cash and cash equivalents	21,357	1,722,973
Cash and cash equivalents at the beginning of period	3,764,097	3,785,454
Cash and cash equivalents at the end of period	*1 3,785,454	5,508,428

VII Notes

[Notes on going concern assumption]

Not applicable.

[Notes on matters concerning significant accounting policies]

<p>1. Method of depreciation and amortization of non-current 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 64 years Structures 12 to 63 years Furniture and fixtures 3 to 6 years</p> <p>(2) Intangible assets The straight-line method is used.</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>
<p>2. Accounting for deferred assets</p>	<p>(1) Organization expenses Organization expenses are amortized over a period of five years on the straight-line basis.</p> <p>(2) Investment unit issuance expenses The entire amount is expensed as incurred.</p>
<p>3. Accounting standards for revenues and expenses</p>	<p>(1) Standards for revenue recognition The following is a description of the ESCON REIT's main performance obligations with respect to revenues arising from contracts with customers and the normal time at which such performance obligations are satisfied (i.e., the normal time at which revenue is recognized).</p> <p>i. Sales of real estate. For sales of real estate revenue is recognized when the customer (i.e., the buyer) obtains control of the real estate as a result of our fulfillment of the delivery obligations stipulated in the sales contract for the real estate.</p> <p>ii. Utilities charges received Utilities charges received are recorded as revenues according to the supply of electricity, water to the lessee as a customer, based on the lease contract of the real estate and other related agreements.</p> <p>(2) Accounting for property taxes With respect to property taxes, city planning taxes, depreciable asset taxes on real estate holdings, the amounts corresponding to the current fiscal period are treated as expenses related to the leasing business. Consistent with the acquisition of real estate or trust beneficiary interests in real estate, the amount equivalent to property taxes for the first year paid to the transferor as a settlement payment is not recorded as an expense and is included in the acquisition cost for the purchased real estate property. There was no amount equivalent to property taxes included in the acquisition costs for real estate during the previous and current fiscal periods. The amount equivalent to property taxes included in the cost of acquisition of real estate in the current fiscal period is 40,013 thousand yen.</p>
<p>4. Scope of funds in the statements of cash flows</p>	<p>Funds (cash and cash equivalents) in the statements 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>

5. Other Items Forming the Basis for the Preparation of Financial Statements	<p>(1) Accounting for trust beneficial interests in real estate as trust asset For 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. Included in the trust assets accounted for under the respective account items, the following items of significance are separately classified on the balance sheet.</p> <p>i. Cash in trust and deposits in trust</p> <p>ii. Buildings in trust and structures in trust Tools, furniture and fixtures in trust and land in trust</p> <p>iii. Leasehold and guarantee deposits received in trust</p> <p>(2) Accounting for consumption taxes The accounting for consumption taxes and local consumption taxes is reported on a net basis. Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p>
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[Notes on changes in accounting policies]

1. Application of accounting standard for revenue recognition

ESCON REIT has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”) and other related accounting standards from the beginning of the current fiscal period, recognizing revenue at the amount expected to be received in exchange for promised goods or services when control of the promised goods or services is transferred to the customer. This change has no impact on the financial statements for the current fiscal period.

In accordance with the transitional treatment prescribed in Paragraph 89--3 of the Revenue Recognition Accounting Standard, notes related to revenue recognition for the previous accounting period are not presented.

2. Application of accounting standard for fair value measurement

ESCON REIT has applied the “Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard) and other related accounting standards from the beginning of the current fiscal period, applying the new accounting policies stipulated in the Fair Value Measurement Accounting Standard, prospectively in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This change has no impact on the financial statements for the current fiscal period.

In accordance with the provisions of Article 2, Paragraph 5 of the Supplementary Provision of the Cabinet Office Ordinance Partially Revising Regulations Concerning Terms, Forms and Preparation Method of Financial Statements (Cabinet Office Ordinance No. 61, September 24, 2021), the matters listed in Article 8-6-2, Paragraph 1, Item 3 of the Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, as amended, are omitted.

[Note to Balance Sheets]

(Unit: Thousand yen)

	Previous fiscal period (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
*1. Assets offered as collateral and liabilities, which assets have been collateralized		
Assets offered as collateral are as follows.		
Cash and deposits in trust	2,405,085	-
Buildings in trust	8,375,534	-
Structures in trust	124,400	-
Tools, furniture and fixtures in trust	17,015	-
Land in trust	43,636,242	-
Total	54,558,279	-
Liabilities which assets have been collateralized are as follows.		
Current portion of long-term borrowings	9,960,000	-
Long-term borrowings	14,470,000	-
Total	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 Statements of Income and Retained Earnings]

(Unit: Thousand yen)

	Previous fiscal period (From February 1, 2021 To July 31, 2021)	Current fiscal period (From August 1, 2021 To January 31, 2022)
*1 Description of income from real estate leasing operations		
A. Real estate leasing business revenue		
Leasing business revenue		
Lease income	717,739	1,052,287
Land lease income received	684,052	823,393
Common service fees	97,178	122,033
Other lease income revenues	204,846	232,748
Total	1,703,816	2,230,463
Other leasing business revenues		
Utilities charges received	172,730	234,509
Other revenues	34,282	11,655
Total	207,013	246,164
Total real estate leasing business revenue	1,910,829	2,476,628
B. Real estate leasing business expenses		
Expenses related to leasing business		
Administrative expenses	158,694	192,137
Trust fees	6,275	8,704
Utilities charges	155,127	212,766
Non-life insurance premiums	2,718	4,488
Repair expenses	38,268	31,804
Taxes and public dues	160,287	160,263
Depreciation	126,341	174,386
Other rent business expenses	7,607	9,481
Total expenses related to leasing business	655,322	794,032
C. Income from real estate leasing business (A - B)	1,255,507	1,682,596

[Notes to Statements of Unitholders' Equity]

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

	Previous fiscal period (From February 1, 2021 To July 31, 2021)	Current fiscal period (From August 1, 2021 To January 31, 2022)
Total number of investment units authorized	10,000,000units	10,000,000units
Total number of investment units issued and outstanding	282,982units	351,967units

[Notes to Statements 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: Thousand yen)

	Previous fiscal period (From February 1, 2021 To July 31, 2021)	Current fiscal period (From August 1, 2021 To January 31, 2022)
Cash and deposits	1,380,368	2,091,168
Cash and deposits in trust	2,405,085	3,417,259
Cash and cash equivalents	3,785,454	5,508,428

[Notes to Lease Transactions]

Operating lease transactions (Lessor)

Future minimum lease revenues under existing non-cancelable lease agreements

(Unit: Thousand yen)

	Previous fiscal period (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
Within a year	1,742,746	2,271,349
Over a year	8,590,839	10,652,663
Total	10,333,585	12,924,012

[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 corporate bonds and investment units to contribute to the steady growth of assets under management as well as implementing an efficient and stable management style.

When taking out borrowings from financial institutions and issuing investment corporate bonds, ESCON REIT will take into account the balance between the flexibility of financing, the financial stability and the nature of the acquired real estate assets. 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 based on the assessment of the current financial environment and taking into consideration the LTV, the dilution of rights of the existing unitholders and potential decline 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 the current period, ESCON REIT did not enter into any derivative transactions.

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

Borrowings are taken out mainly for the purpose of raising funds to acquire assets and repay the borrowings. While the Company is exposed to risk of increasing interest rates on the borrowings upon refinancing and may not be able to refinance the borrowings, ESCON REIT works to mitigate the risks by diversifying the lenders, due dates and taking a balanced financing approach 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 of financial instruments

Certain assumptions and other factors were used in calculating the fair value of financial instruments, and the results may differ due to different assumptions and other factors used in valuing the financial instruments.

2. Matters concerning the fair value of financial instruments

Balance sheet amount, fair value and their differences as of July 31, 2021 are as follows: Notes to Cash and deposits, Cash and deposits in trust and Short-term borrowings are not disclosed since the fair value of these instruments approximates book value due to short term nature of these instruments. Fair value for tenant lease and guarantee deposits in trust have been omitted since the balances are not material to the financial statements.

(Unit: Thousand yen)

	Carrying value	Fair value *1	Difference
(1) Current portion of long-term borrowings	9,960,000	9,960,000	-
(2) Long-term borrowings	14,470,000	14,470,000	-
Total liabilities	24,430,000	24,430,000	-

Balance sheet amount, fair value and their differences as of January 31, 2022 are as follows: Notes to Cash and deposits, Cash and deposits in trust and Short-term borrowings are not disclosed since the fair value of these instruments approximates book value due to short term nature of these instruments. Fair value for Leasehold and guarantee deposits received in trust have been omitted since the balances are not material to the financial statements.

(Unit: Thousand yen)

	Carrying value	Fair value*1	Difference
(1) Current portion of long-term borrowings	9,860,000	9,860,000	-
(2) Long-term borrowings	23,231,000	23,231,000	-

Total liabilities	33,091,000	33,091,000	-
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Notes:
*1 The method used in calculating the fair value of the financial instruments
(1) Current portion of long-term borrowings, (2) Long-term borrowings
The borrowings have variable interest rates and interest is adjusted to the current market rates and accordingly, the fair value of the borrowings should approximate the carrying value of the borrowings.

*2 Scheduled redemption of loans after the closing date (July 31, 2021)

(Unit: Thousand 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, 2022)

(Unit: Thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	9,860,000	4,610,000	2,386,000	6,111,500	5,736,500	4,387,000
Total	9,860,000	4,610,000	2,386,000	6,111,500	5,736,500	4,387,000

[Notes to Securities]

Previous fiscal period From February 1, 2021 to July 31, 2021	Current fiscal period From August 1, 2021 to January 31, 2022
Not applicable.	Not applicable.

[Notes to Derivative transactions]

Previous fiscal period From February 1, 2021 to July 31, 2021	Current fiscal period From August 1, 2021 to January 31, 2022
Not applicable.	Not applicable.

[Notes to Retirement benefits]

Previous fiscal period From February 1, 2021 to July 31, 2021	Current fiscal period From August 1, 2021 to January 31, 2022
Not applicable.	Not applicable.

[Notes to Deferred Income Taxes]

1. Significant components of the deferred tax assets and deferred tax liabilities are as follows:

(Unit: Thousand yen)

	Previous fiscal period (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	9	19
Total deferred tax assets	9	19
(Net deferred tax assets)	9	19

2. Reconciliation of Significant Differences Between the Statutory Tax Rate and the Effective Tax Rate After Applying Deferred Income Tax Accounting

(Unit: %)

	Previous fiscal period (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
Statutory tax rate	31.46	31.46
(adjustments)		
Tax-deductible cash distributions paid	(31.44)	(31.43)
Other	0.06	0.06
Effective tax rate	0.08	0.09

[Notes to Equity Gains (Losses) of Affiliated Companies]

Previous fiscal period From February 1, 2021 to July 31, 2021	Current fiscal period From August 1, 2021 to January 31, 2022
Not applicable.	Not applicable.

[Notes to Transactions with Related Parties]

1. Parent company and major institutional investors

Previous fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

2. Affiliated companies

Previous fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

3. Sibling companies

Previous fiscal period (from February 1, 2021 to July 31, 2021)

Not applicable.

Current fiscal period (from August 1, 2021 to January 31, 2022)

Not applicable.

4. Directors and major individual unitholders

Previous fiscal period (From February 1, 2021 to July 31, 2021)

Classification or Type	Name	Location	Capital stock or investments in capital (Million yen)	Content of business	Ownership ratio of voting rights.	Relationship details		Business description *1	Transaction amount (Thousand yen) *2	Account items	Balance at the end of period (Thousand yen) *2
						Content of business	Business relationship				
Directors and their close relatives	Satoshi Omori	-	-	Executive Officer of ESCON REIT, and Representative Director and President of ES-CON ASSET MANAGEMENT Ltd.	-	Executive Officer of ESCON REIT, and Representative Director and President of ES-CON ASSET MANAGEMENT Ltd.	Asset Manager of ESCON REIT	Payment of asset management fees to ES-CON Asset Management, Ltd	102,495	accrued expenses	112,744

*1 The transaction was conducted by Satoshi Omori as a representative director of a third party (ES-CON Asset Management, Ltd.), and the compensation amount described above is in accordance with the terms and conditions stipulated in the Articles of Incorporation of ESCON REIT.

*2 Consumption tax is not included in the transaction amount and is included in the balance at the end of the period.

Current fiscal period (From August 1, 2021 to January 31, 2022)

Classification or Type	Name	Location	Capital stock or investments in capital (Million yen)	Content of business	Ownership ratio of voting rights,	Relationship details		Business description *1	Transaction amount (Thousand yen) *2 *3	Account items	Balance at the end of period (Thousand yen) *2
						Content of business	Business relationship				
Directors and their close relatives	Satoshi Omori*4	-	-	Executive Officer of ESCON REIT, and Representative Director and President of ES-CON ASSET MANAGEMENT Ltd.	-	Executive Officer of ESCON REIT, and Representative Director and President of ES-CON ASSET MANAGEMENT Ltd.	Asset Manager of ESCON REIT	Payment of asset management fees to ES-CON Asset Management, Ltd	135,638	accrued expenses	52,266

*1 The transaction was conducted by Satoshi Omori as a representative director of a third party (ES-CON Asset Management, Ltd.), and the compensation amount described above is in accordance with the terms and conditions stipulated in the Articles of Incorporation of ESCON REIT.

*2 Consumption tax is not included in the transaction amount and is included in the balance at the end of the period.

*3 The amount of asset management fees includes 88,123 thousand yen of management fees for property acquisitions that are included in the acquisition price of individual investment properties.

*4 Satoshi Omori resigned as Executive Director of the Investment Corporation at the conclusion of the investment Corporations 6th General Meeting of Unitholders on October 22, 2021 and is no longer deemed a related party. The transaction amounts are for the period when Satoshi Omori was a related party, and the ending balances are for the period when he ceased to be a related party.

[Notes to Asset Retirement Obligations]

Previous fiscal period From February 1, 2021 to July 31, 2021	Current fiscal period From August 1, 2021 to January 31, 2022
Not applicable.	Not applicable.

[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: Thousand yen)

		Previous fiscal period (From February 1, 2021 to July 31, 2021)	Current fiscal period (From August 1, 2021 to January 31, 2022)
Carrying value*1	Balance at the beginning of the period	52,235,236	52,153,193
	Changes during the period*2	(82,043)	17,637,100
	Balance at the end of the period	52,153,193	69,790,294
Fair value at the end of the period *3		56,953,000	75,149,200

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

*2 Included in the increase and/or decrease in the previous fiscal year are capital expenditures for five properties which includes Pare Marche Nishiharu (total 44,298 thousand yen), offset by a decrease in depreciation (126,341 thousand yen). Included in the increase and/or decrease during the current fiscal period is an acquisition of 11 properties including Suroy Mall Nagamine (total 17,783,835 thousand yen), offset by a decrease in depreciation (174,386 thousand yen).

*3 The fair value at the end of the period was determined by an outside real estate appraisers.

Profit and loss of real estate for lease are as described in “Notes to Statements of Income and Retained Earnings”

[Notes to Revenue Recognition]

1. Breakdown of revenue from contracts with customers

Current fiscal period (from August 1, 2021 to January 31, 2022)

(Unit: Thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate	—	—
Utilities charges received*2	234,509	234,509
Other	—	2,242,119
Total	234,509	2,476,628

*1 The accounting standard for revenue recognition does not apply to revenues for leasing business income and the Company adopted Accounting Standards Board of Japan (“ASBJ”) Statement No. 13 “Accounting Standard for Lease Transactions” and accordingly, these revenues are not reported as revenues from contracts with customers. Revenues from contracts with customers mainly include revenues from sales of real estate and utility charges.

*2 Utilities charges received are recorded as revenues based on the use of electricity, water and other utilities by the lessee and is in accordance with agreements with the lessee.

2. Underlying information to understand the revenue from contracts with customers

Current fiscal period (from August 1, 2021 to January 31, 2022)

As described in the Notes to Significant Accounting Policies.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized in subsequent periods from the contracts with customers that exist at the end of the current fiscal period

(1) Balance of contract assets and contract liabilities

(Unit: Thousand yen)

	Current fiscal Period (From August 1, 2021 To January 31, 2022)
Receivables from contracts with a customer (at the beginning of the period)	30,433
Receivables from contracts with a customer (at the end of the period)	34,272
Contract assets (balance at the beginning of period)	—
Contract assets (balance at the end of period)	—
Contract liabilities (balance at the beginning of period)	—
Contract liabilities (balance at the end of period)	—

(2) Transaction prices allocated to remaining performance obligations

Not applicable.

For utility charges Income, the Company recognizes revenues at the amount it is entitled to charge in accordance with paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition as the Company is entitled to receive from the customers (lessees) the amount of consideration that directly corresponds to the value to the customers for the portion of performance completed by the end of the period. Therefore, the provisions of paragraph 80-22(2) of the Accounting Standard for Revenue Recognition have been applied and the transaction price allocated to the remaining performance obligations has not been included in the notes to transaction prices.

[Note to Segment Information]

(Segment information)

This information is omitted because ESCON REIT operates in a single segment of the real estate leasing business.

(Relevant information)

Previous fiscal period (from February 1, 2021 to July 31, 2021)

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

Not applicable since there are no sales to external customers outside Japan.

(2) Property, plant, and equipment

Not applicable since there is no property, plant and equipment located outside Japan.

3. Information by major customer

(Unit: Thousand yen)

Customer Name	Operating revenue	Related Segment Name
ES-CON JAPAN Ltd.*	1,249,689	Real estate leasing business

* ESCON REIT leases Asumigaoka Brand-New Mall, Nishi-Shiroi Ekimae Plaza, tonarie Minamisenri, tonarie Seiwadai, tonarie Yamatotakada (50% ownership), tonarie Toga・Mikita (50% ownership) and Pare Marche Nishiharu to ES-CON Japan under pass-through master lease agreement, and ES-CON Japan subleases these to sublessees.

Current fiscal period (from August 1, 2021 to January 31, 2022)

1. Information by product and service

This information is omitted because the same information is disclosed in the segment information.

2. Information by Region

(1) Net sales

Not applicable since there are no sales to external customers outside Japan.

(2) Property, plant, and equipment

Not applicable since there is no property, plant and equipment located outside Japan.

3. Information by major customer

(Unit: Thousand yen)

Customer Name	Operating revenue	Related Segment Name
ES-CON JAPAN Ltd.*	1,570,067	Real estate leasing business

* ESCON REIT leases Asumigaoka Brand-New Mall, Nishi-Shiroi Ekimae Plaza, tonarie Minamisenni, tonarie Seiwadai, tonarie Yamatotakada (50% ownership), tonarie Toga Mikita, Pare Marche Nishiharu and Suroy Mall Nagamine to ES-CON Japan under pass-through master lease agreement, and ES-CON Japan subleases these to sublessees.

[Notes to Per Unit Information]

	Previous fiscal period (From February 1, 2021 to July 31, 2021)	Current fiscal period (From August 1, 2021 to January 31, 2022)
Net assets per unit	104,037yen	111,862yen
Net income per unit	3,537yen	3,601yen

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 (From February 1, 2021 to July 31, 2021)	Current fiscal period (From August 1, 2021 to January 31, 2022)
Net income (thousand yen)	1,001,039	1,264,729
Amount not attributable to common unitholders (thousand yen)	-	-
Net income for common investment units (thousand yen)	1,001,039	1,264,729
Average number of investment units during the period (units)	282,982	351,199

[Notes to Significant Subsequent Events]

Not applicable.

Independent Auditor's Report

To the Board of Directors
ESCON JAPAN REIT Investment Corporation

Opinion

We have audited the accompanying financial statements of ESCON JAPAN REIT Investment Corporation (the Company), which comprise the balance sheets as of January 31, 2022, and the statements of income and retained earnings, statements of unitholders' equity, statements of cash dividend distributions, and statements of cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2022, and its financial performance and its cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Supervisory Directors are responsible for overseeing the Executive Director's performance regarding the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Executive Director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Executive Director with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

BDO Sanyu & Co.
Osaka, Japan

April 27, 2022

鳥居 陽

Akira Torii
Designated Engagement Partner
Certified Public Accountant

古嶋 雅弘

Masahiro Furushima
Designated Engagement Partner
Certified Public Accountant