

## Financial Report for the Fiscal Period Ended July 31, 2019 (REIT)

September 13, 2019

REIT Issuer:	ESCON JAPAN REIT Investment Corporation	Stock Exchange Listing: TSE
Securities Code:	2971	URL: <a href="https://www.escon-reit.jp/">https://www.escon-reit.jp/</a>
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): October 29, 2019

Scheduled date of commencement of distribution payments: October 18, 2019

Supplementary materials: Yes

IR Conference: Yes (for institutional investors and analysts)

[Amounts are rounded down to the nearest million yen]

### 1. Status of Management and Assets for the Fiscal Period Ended July 31, 2019 (from Feb 1, 2019 to July 31, 2019)

#### (1) Management

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FP2019/7	1,434	127.8	987	219.3	672	155.0	671	155.5
FP2019/1 (Note 1)	629	81.6	309	46.4	263	61.3	262	61.5

	Net income per unit (Note 2)	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
FP2019/7	2,976	4.7	2.4	46.8
FP2019/1	5,402	5.4	2.3	41.9

(Note 1) ESCON JAPAN REIT Investment Corporation (hereinafter "ESCON REIT") changed the end of its fiscal period from the last day in April and the last day in October of each year to the last day in January and the last day in July of each year by resolution at the general meeting of unitholders held on October 30, 2018. As a result, the fiscal period ended January 31, 2019 has become a nine-month period, from May 1, 2018 to January 31, 2019.

(Note 2) Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (48,649 units for the fiscal period ended January 31, 2019, and 225,553 units for the fiscal period ended July 31, 2019).

#### (2) Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio (Note)	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
FP2019/7	2,835	671	0	0	100.1	2.8
FP2019/1	5,422	263	0	0	100.4	5.5

(Note) The payout ratio for the fiscal period ended July 31, 2019 is calculated using the following formula and rounded off to one decimal place due to changes in the number of investment units during the period following issuance of new investment units during the period.

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

#### (3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
FP2019/7	45,346	23,613	52.1	99,636
FP2019/1	11,668	4,886	41.9	100,446

## (4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
FP2019/7	1,004	(30,296)	31,517	3,172
FP2019/1	341	(23)	(160)	947

**2. Management Status Forecasts for the Fiscal Period Ending January 31, 2020 (from August 1, 2019 to January 31, 2020), and the Fiscal Period Ending July 31, 2020 (from February 1, 2020 to July 31, 2020).**

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

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings) (Note)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
FP2020/1	1,543	7.6	954	(3.4)	874	30.2	873	30.2	3,690	0
FP2020/7	1,540	(0.2)	850	(10.9)	771	(11.8)	770	(11.8)	3,251	0

(Reference) Estimated net income per unit:

FP2020/1: 3,687 yen

FP2020/7: 3,251 yen

**\* Other**

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

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

## (2) Total Number of Investment Units Issued and Outstanding

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

FP2019/7:	237,000units	FP2019/1:	48,649 units
FP2019/7:	0 units	FP2019/1:	0 units

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

(Note) For the number of investment units serving as the basis of calculation for net income per unit, refer to "Notes to Per Unit Information" on page 17.

## (3) Rounding processing

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

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

**\* Explanation on the Appropriate Use of the Management Status Forecasts, and Other Matters of Special Note**

(Caution Concerning Forward-Looking Statements, Etc.)

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

For details on assumptions for the forecast figures above, refer to "Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending January 31, 2020 (from August 1, 2019 to January 31, 2020), and the Fiscal Period ending July 31, 2020 (February 1, 2020 to July 31, 2020) on page 5.

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## 1. Operations

### (1) Operations

#### i Overview of the Fiscal Period ended July 31,2019

##### A. Brief background of the REIT

ESCON REIT was established on August 26, 2016, with ES-CON ASSET MANAGEMENT Ltd. (hereinafter the “Asset Manager”) as the organizer, based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended), and was listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on February 13, 2019 (securities code: 2971). As of the end of the fiscal period under review, ESCON REIT owns 25 properties with a total acquisition price of 41,607 million yen.

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

##### B. Operating environment and Management performance

During the fiscal period under review, the Japanese economy recovered modestly despite continued weakness in some areas, especially exports. In the April-June quarter of 2019, the gross domestic product (GDP) expanded for the third straight quarter, growing at a rate of 0.4% (an annualized rate of 1.8%) according to preliminary estimates.

The J-REIT market remained firm partly due to funds shifting from stock markets. The Tokyo Stock Exchange REIT Index rose to its highest level in around 11 years and 10 months while the Tokyo Stock Exchange REIT Net Total Return Index reached an all-time high. These indices are expected to remain persistently high moving forward.

In this environment, ESCON REIT worked to secure stable revenue over the medium to long term by taking measures to appropriately manage assets in the portfolio and improve revenue, such as building close relationships with the tenants of leasehold land and inviting the fast-food giant MacDonaldd’s to Asumigaoka Brand-New Mall.

As a result of the measures above, the occupancy rate of the 25 assets under management as of the end of the fiscal period under review was 99.7%.

##### C. Procurement of funds

During the fiscal period under review, ESCON REIT raised funds of 18,319 million yen by issuing new investment units through a public offering, with a payment date of February 12, 2019, to finance the acquisition of 22 commercial properties on February 13, 2019. As a result, the total amount of investment was 22,941 million yen and the total number of investment units issued and outstanding was 237,000 units as of the end of the fiscal period under review. Also, on February 13, 2019, ESCON REIT borrowed a further 20,171 million yen, made early repayment of existing borrowings of 6,000 million yen, and repurchased and cancelled existing investment corporation bonds of 300 million yen.

In addition, on June 28, 2019, ESCON REIT used its own funds, including a refund of consumption taxes, to make early repayment of borrowings of 351 million yen.

The balance of interest-bearing debt of ESCON REIT as of the end of the fiscal period under review was 19,820 million yen, and the ratio of interest-bearing debt to total assets (hereinafter “LTV”) was 43.7%.

##### D. Performance and distributions

As a result of the management above, ESCON REIT posted operating revenue of 1,434 million yen, operating income of 987 million yen, ordinary income of 672 million yen and net income of 671 million yen for the fiscal period under review.

With respect to distribution, ESCON REIT has decided to distribute an amount that is an integral multiple of the total number of investment units issued and outstanding up to the maximum amount to the extent that profit distribution will be included in tax deductible expenses 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)) based on the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit came to 2,835yen.

## ii. Outlook for next period

### A. Outlook for the overall management environment

The Japanese economy is expected to remain on a moderate recovery trend given the effects of various policies amid continued improvement of employment and income conditions, despite lingering weakness in some areas, especially exports. However, attention must be paid to the impact of the development of trade issues between countries on the global economy, the outlook of the Chinese economy, uncertainties over trends and policies in overseas economies and the impact of fluctuations in the financial and capital markets.

In the real estate investment market, real estate transactions are expected to remain in the high price zone due to low interest rates driven by the continuation of the easing of the monetary policy and the inflow of funds from overseas investors, despite concern in some quarters that excessive decline in investment return will cause the market to reach its peak.

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

### B. Internal growth

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

#### a. Maintaining and increasing rent revenue

ESCON REIT will improve the satisfaction of tenants and build and strengthen relationships of trust with them by actively taking measures to build relations with the existing tenants (regular visit, customer satisfaction survey, etc.) and implementing appropriate and prompt measures by determining trends and needs of tenants (factors for customer dissatisfaction and their potential needs in both hardware and software of facilities) through the periodic exchange of information with the property management company. According to these measures, ESCON REIT will aim to secure stable revenue by maintaining and increasing rent revenue and preventing cancellations.

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

#### b. Streamlining management expenses

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

### C. External growth

ESCON REIT will strive to achieve steady external growth based on the real estate development capabilities of ES-CON JAPAN, the sponsor and general real estate developer. ESCON REIT will aim to expand the scale of its assets and improve the portfolio quality, making maximum use of sponsor support, such as granting the right to purchase at a fixed price and the preferential negotiation right to real estate properties owned as well as support for the redevelopment of assets under management.

### D. Financial policy

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

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

When borrowing loans and issuing investment corporation bonds (including short-term investment corporation bonds), ESCON REIT will raise funds in consideration of the balance between the mobility of financing and financial stability as well as the characteristics of real estate to acquire. Specifically, we will examine the financing methods (loans, investment corporate bonds), the ratio of long-term debt, the diversification of repayment dates and the need to provide security, among others.

With regard to LTV, we will set 50% as the upper limit, in principle, based on our policy of maintaining the conservative level.

We will also conduct efficient and appropriate cash management by accurately figuring out the financing needs of our portfolio through constant monitoring.

## iii. Significant subsequent events

Not applicable

iv . Outlook for the management status

ESCON REIT expects the management status for the fiscal periods ending January 31, 2020 and July 31, 2020 as shown below.

For the assumptions about the management status, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying January 31, 2020 (from August 1, 2019 to January 31, 2020) and the Fiscal Period Underlying July 31, 2020 (February 1, 2020 to July 31, 2020)” on page 5.

	Operating revenues	Operating income	Ordinary income	Net income	DPU (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	DPU (including distributions in excess of earnings)
6 <sup>th</sup> fiscal period ending January 31, 2020	1,543 million yen	954 million yen	874 million yen	873 million yen	3,690 Yen	0 yen	3,690 Yen
7 <sup>th</sup> fiscal period ending July 31, 2020	1,540 million yen	850 million yen	771 million yen	770 million yen	3,251 yen	0 yen	3,251 yen

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

Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending January 31, 2020 and Fiscal Period ending July 31, 2020

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>◆ 6<sup>th</sup> fiscal period: August 1, 2019 to January 31, 2020 (184 days)</li> <li>◆ 7<sup>th</sup> fiscal period: February 1, 2020 to July 31, 2020 (182 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>◆ For the forecast of financial results, it is assumed that ESCON REIT will continue to own the real estate beneficiary interests in 25 properties already acquired up to the fiscal period ended July 31, 2019 and that there will be no changes made to the assets under management such as acquisition of new properties and/or disposition of portfolio properties, etc. until the end of the period ending July 31, 2020.</li> <li>◆ Changes may arise due to the acquisition of new properties other than the Intended Acquisition Assets, disposition of portfolio properties, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>◆ Leasing revenue is calculated based on rents under lease agreements that are in effect as of the date of this document and takes other factors such as tenant and market trends into consideration.</li> <li>◆ Operating revenue is based on the assumption that tenants will pay their rents without delinquency.</li> <li>◆ Operating revenue is based on the assumption that no gain/loss on sale of real estate will occur.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>◆ Leasing business expenses are the principle expenditures of the operating expenses. Leasing business expenses (excluding depreciation) are calculated based on actual expenditures and reflect factors that cause fluctuation in estimated expenditures such as taxes and public dues, management fees, non-life insurance premiums and repairs.</li> <li>◆ The amount of property taxes and city planning taxes is expected to be 32 million yen in the fiscal period ending January 31, 2020 and 138 million yen in the fiscal period ending July 31, 2020. Property taxes and city planning taxes on the real estate beneficiary interests in the 22 properties acquired on February 13, 2019 (hereinafter the “Assets Acquired in Fiscal Period ended July 31, 2019”) will not be expensed in the fiscal period ending January 31, 2020 and the property taxes and city planning taxes for FY2020 will be expensed from the fiscal period ending July 31, 2020. Moreover, the total amount of property and city planning taxes to be included in the acquisition cost for the Intended Acquisition Assets is expected to be 105 million yen.</li> <li>◆ Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc. and is expected to amount to 83 million yen in the fiscal period ending January 31, 2020 and 84 million yen in the fiscal period ending July 31, 2020.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>◆ Non-operating expenses for the period ending January 31, 2020 are estimated to be 79 million yen, of which 72 million yen is for interest expenses and other borrowing cost.</li> <li>◆ Non-operating expenses for the period ending July 31, 2020 are estimated to be 79 million yen, of which 72 million yen is for interest expenses and other borrowing cost.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>◆ It is assumed that interest-bearing liabilities at the end of period ending January 31, 2019 and July 31, 2020 will be 19,820 million yen.</li> <li>◆ LTV ratio is expected to be approximately 43.5% at the end of the period ending January 31, 2020 (6<sup>th</sup> fiscal period), and approximately 43.6% at the end of the period ending July 31, 2020 (7<sup>th</sup> fiscal period). The following formula was used to calculate LTV ratio: LTV ratio = Total interest-bearing liabilities ÷ Total assets x 100</li> </ul>
Number of investment units	<ul style="list-style-type: none"> <li>◆ It is assumed that, in addition to the 237,000 no additional investment units will be issued before the end of the period ending July 31, 2020.</li> <li>◆ DPU (excluding distribution in excess of earnings) per unit for the period ending January 31, 2020 and period ending July 31, 2020 is calculated based on the anticipated number of investment units issued and outstanding totaling 237,000 units at the end of the period ending January 31, 2020 and period ending July 31, 2020.</li> </ul>
DPU (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>◆ DPU (excluding distribution in excess of earnings) is calculated based on the assumption that distributions will be conducted in accordance with the cash distribution policy provided in ESCON REIT’s Articles of Incorporation.</li> <li>◆ DPU (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying changes in assets under management, changes in tenants, etc. or incurrence of unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>◆ Even though it is possible for ESCON REIT to make cash distributions in excess of earnings in accordance with the Articles of Incorporation, ESCON REIT does not intend to make such cash distributions at this point in time when factoring in the ratio of capital expenditures to depreciation expenses and in order to maintain conservative financial management.</li> </ul>
Others	<ul style="list-style-type: none"> <li>◆ It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, listing rules of the Tokyo Stock Exchange, Inc., and rules of The Investment Trusts Association, Japan, etc. that will impact the forecasted figures above</li> <li>◆ It is assumed that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>

(2) Investment Risk

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent Annual Securities Report (submitted April 24, 2019).



## 2. Financial Statements

### (1) Balance Sheet

(Unit: 1,000 yen)

	Previous fiscal period (As of January 31, 2019)	Current fiscal period (As of July 31, 2019)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	424,421	1,130,148
Cash and deposits in trust	※ 1 522,745	※ 1 2,042,721
Operating accounts receivable	11,877	29,468
Prepaid expenses	18,888	40,415
Other	-	129
<b>Total current assets</b>	<b>977,933</b>	<b>3,242,882</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings in trust	738,786	5,148,577
Accumulated depreciation	△27,303	△106,999
Buildings, net	※ 1 711,482	※ 1 5,041,578
Structures in trust	63,089	128,715
Accumulated depreciation	△3,844	△7,240
Structures, net	※ 1 59,245	※ 1 121,475
Land in trust	※ 1 9,880,169	※ 1 36,837,448
<b>Total property, plant and equipment</b>	<b>10,650,898</b>	<b>42,000,502</b>
<b>Intangible assets</b>		
Trademarks	987	933
Other	-	7,517
<b>Total intangible assets</b>	<b>987</b>	<b>8,450</b>
<b>Investment and other assets</b>		
Lease and guarantee deposits	10,000	10,000
Long-term prepaid expenses	-	62,012
<b>Total investments and other assets</b>	<b>10,000</b>	<b>72,012</b>
<b>Total noncurrent assets</b>	<b>10,661,885</b>	<b>42,080,965</b>
<b>Deferred assets</b>		
Organization expenses	28,431	22,745
<b>Total deferred assets</b>	<b>28,431</b>	<b>22,745</b>
<b>Total assets</b>	<b>11,668,251</b>	<b>45,346,593</b>

(Unit: 1,000 yen)

	Previous fiscal period (As of January 31, 2019)	Current fiscal period (As of July 31, 2019)
<b>Liabilities</b>		
Current liabilities		
Operating accounts payable	24,181	55,705
Current portion of investment corporation bonds	300,000	-
Current portion of long-term borrowings	※ 1 6,000,000	-
Accounts payable - other	20	110,722
Accrued expenses	60,852	35,350
Income taxes payable	712	605
Accrued consumption tax, etc.	1,882	13,691
Advances received	51,583	209,823
Deposits received	172	72
Total current liabilities	6,439,405	425,971
Noncurrent liability		
Long-term borrowings	-	※ 1 19,820,000
Tenant lease and guarantee deposits in trust	342,201	1,486,733
Total noncurrent liabilities	342,201	21,306,733
<b>Total liabilities</b>	<b>6,781,607</b>	<b>21,732,705</b>
<b>Net assets</b>		
Unitholders' equity		
Unitholders' capital	4,621,655	22,941,238
Surplus		
Unappropriated retained earnings (undisposed loss)	264,989	672,649
Total surplus	264,989	672,649
Total unitholders' equity	4,886,644	23,613,887
<b>Total net assets</b>	<b>※ 2 4,886,644</b>	<b>※ 2 23,613,887</b>
<b>Total liabilities and net assets</b>	<b>11,668,251</b>	<b>45,346,593</b>

## (2) Profit and Loss Statement

(Unit: 1,000 yen)

	Previous fiscal period (November 1, 2017 – April 30, 2018)	Current fiscal period (May 1, 2018 – January 31, 2019)
<b>Operating revenues</b>		
Rent revenue-real estate	※ <sub>1</sub> 537,190	※ <sub>1</sub> 1,299,519
Other lease business revenue	※ <sub>1</sub> 92,487	※ <sub>1</sub> 135,030
Total operating revenue	629,678	1,434,550
<b>Operating expenses</b>		
Expenses related to rent business	※ <sub>1</sub> 254,944	※ <sub>1</sub> 384,663
Asset management fee	47,478	23,681
Asset custody fee	900	1,987
Administrative service fees	2,437	7,626
Directors' compensation	4,500	3,000
Taxes and public dues	1,233	11,281
Other operating expenses	8,817	14,622
Total operating expenses	320,310	446,863
Operating income	309,367	987,686
<b>Non-operating income</b>		
Interest income	3	8
Interest on tax refund	-	306
Total non-operating income	3	315
<b>Non-operating expenses</b>		
Interest expenses	16,178	47,883
Interest expenses on investment corporation bonds	9,049	430
Borrowing related expenses	12,091	202,635
Amortization of organization expenses	8,529	5,686
Investment unit issuance expenses	-	58,358
Investment corporation bond issuance costs	-	966
Total non-operating expenses	45,849	315,962
Ordinary income	263,522	672,040
Ordinary income	263,522	672,040
Income before income taxes	712	605
Total income taxes	712	605
Net income	262,810	671,435
Retained earnings bought forward	2,179	1,214
Unappropriated retained earnings (undisposed loss)	264,989	672,649

## (3) Statements of Changes in Net Assets (Unitholders' Equity)

Previous fiscal period (May 1, 2018 – January 31, 2019)

(Unit: 1,000 yen)

	Unitholders' equity				Total net assets
	Unitholders' capital / Total capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	4,621,655	162,769	162,769	4,784,424	4,784,424
Changes of items during the period					
Dividends from surplus	-	△160,590	△160,590	△160,590	△160,590
Net income	-	262,810	262,810	262,810	262,810
Total changes of items during the period	-	102,219	102,219	102,219	102,219
Balance at the end of the period	※1 4,621,655	264,989	264,989	4,886,644	4,886,644

Current fiscal period (February 1, 2019 – January 31, 2019)

(Unit: 1,000 yen)

	Unitholders' equity				Total net assets
	Unitholders' capital / Total capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	4,621,655	264,989	264,989	4,886,644	4,886,644
Changes of items during the period					
Issuance of new investment units	18,319,583	-	-	18,319,583	18,319,583
Dividends from surplus	-	△263,774	△263,774	△263,774	△263,774
Net income	-	671,435	671,435	671,435	671,435
Total changes of items during the period	18,319,583	407,660	407,660	18,727,243	18,727,243
Balance at the end of the period	※1 22,941,238	672,649	672,649	23,613,887	23,613,887

## (4) Statements of Cash Dividend Distributions

(Unit: yen)

	Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
I . Unappropriated retained earnings	264,989,385	672,649,557
II . Distributions	263,774,878	671,895,000
Distributions per unit (excluding distributions in excess of earnings)	(5,422)	(2,835)
III . Retained earnings carried forward	1,214,507	754,557
How distributions were calculated	The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESCON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, ESCON REIT has decided to distribute 263,774,878 yen (5,422 yen per investment unit), which does not exceed unappropriated retained earnings and is an amount that is the integral multiple of the total number of investment units issued and outstanding, 48,649 units, up to the maximum amount to which profit distribution will be included in tax deductible expenses.	The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESCON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, ESCON REIT has decided to distribute 671,895,000yen (2,835yen per investment unit), which does not exceed unappropriated retained earnings and is an amount that is the integral multiple of the total number of investment units issued and outstanding, 237,000 units, up to the maximum amount to which profit distribution will be included in tax deductible expenses.

## (5) Cash Flow Statement

(Unit: 1,000 yen)

	Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	263,522	672,040
Depreciation	20,169	83,797
Amortization of organization expenses	8,529	5,686
Investment unit issuance expenses	-	58,358
Interest income	△3	△8
Interest expenses	25,228	48,314
Decrease (increase) of operating accounts receivable	2,968	△17,590
Decrease (increase) in prepared expenses	△1,941	△21,548
Decrease (increase) of long-term prepaid expenses	9,404	△62,012
Increase (decrease) in operating accounts payable	3,982	31,523
Increase (decrease) in accounts payable - other	△2,397	110,701
Increase (decrease) in accrued expenses	40,034	△18,817
Increase (decrease) in accrued consumption tax, etc.)	△1,624	11,809
Increase (decrease) in advances received	△767	158,240
Increase (decrease) in deposits received	△2,538	-
Others	-	△205
Subtotal	364,566	1,060,287
Interest income received	3	8
Interest expenses paid	△22,119	△54,998
Income taxes (paid) refund	△476	△712
Net cash provided by (used in) operating activities	341,974	1,004,585
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment in trust	△2,662	△31,432,695
Purchase of intangible assets	-	△8,168
Proceeds from tenant lease and guarantee deposits in trust	-	1,174,160
Repayments of tenant lease and guarantee deposits in trust	△21,281	△29,628
Net cash provided by (used in) investing activities	△23,943	△30,296,332
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term borrowings	-	351,000
Decrease in short-term borrowings	-	△351,000
Proceeds from long-term borrowings	-	19,820,000
Decrease in long-term borrowings	-	△6,000,000
Payments for redemption of investment corporation bonds	-	△300,000
Proceeds from issuance of investment units	-	18,261,224
Distributions paid	△160,590	△263,774
Net cash provided by (used in) financing activities	△160,590	31,517,449
Increase (decrease) in cash and cash equivalents	157,440	2,225,702
Cash and cash equivalents at the beginning of period	789,726	947,166
Cash and cash equivalents at the end of period	*1 947,166	*1 3,172,869

(6) Notes on Going Concern Assumptions  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

<p>1. Method of depreciation of noncurrent assets</p>	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The useful lives of property, plant and equipment are as follows. Buildings                    3 to 63 years Structures                    12 to 39 years (2) Intangible assets The straight-line method is used. (3) Long-term prepaid expenses The straight-line method is used.</p>
<p>2. Accounting for deferred assets</p>	<p>Organization expenses Organization expenses are amortized equally over a period of five years. Investment unit issuance costs Issuance costs are expensed when incurred.</p>
<p>3. Accounting standards for revenues and expenses</p>	<p>Accounting for property taxes Property tax, city planning tax, depreciable asset tax and the like levied on real estate owned are accounted for as expenses related to rent business for the amounts corresponding to the fiscal period under review of the amount of taxes that were assessed and decided. An amount equivalent to property taxes, etc. for the first fiscal year paid to the sellers as settlement money associated with the acquisition of real estate or trust beneficial interests in real estate as trust asset is not accounted for as an expense, but included in the acquisition cost of the relevant real estate, etc. In the previous fiscal period under review, there was no amount equivalent to property taxes, etc. included in the acquisition cost of real estate, etc. In the fiscal period under review, the amount equivalent to property taxes, etc. included in the acquisition cost of real estate, etc. was 195,039 thousand yen.</p>
<p>4. Scope of funds in the statement of cash flows</p>	<p>Funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.</p>
<p>5. Other significant bases for preparing financial statements</p>	<p>(1) Accounting for trust beneficial interests in real estate as trust asset With regard to trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheet and the profit and loss statement. Of the trust assets accounted for under the respective account items, the following items of significance are separately indicated on the balance sheet. i. Cash in trust and deposits in trust ii. Buildings in trust, structures in trust and land in trust iii. Tenant lease and guarantee deposits in trust (2) Accounting for consumption taxes The accounting for consumption taxes and local consumption taxes is tax exclusive. However, non-deductible consumption taxes on noncurrent assets are included in the acquisition cost of individual assets.</p>

## (8) Notes to Financial Statements

[Note to Balance Sheets]

(Unit: 1,000 yen)

	Previous fiscal period (As of January 1, 2019)	Current fiscal period (As of January 31, 2019)
*1. Assets offered as security and liabilities on which security is established		
Assets offered as security are as follows.		
Cash and deposits in trust	522,745	2,042,721
Buildings in trust	711,482	5,041,578
Structures in trust	59,245	121,475
Land in trust	9,880,169	36,837,448
Total	11,173,644	44,043,223
Liabilities on which security is established are as follows.		
Current portion of long-term borrowings	6,000,000	–
Long-term borrowings	–	19,820,000
Total	6,000,000	19,820,000
*2. Minimum amount of net assets provided for in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations	50,000	50,000

[Notes to Profit and Loss Statements]

(Unit: 1,000 yen)

	Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
*1 Breakdown of income from real estate rent business		
A. Real estate rent business revenue		
Rent business revenue		
Rent revenue	229,241	504,957
Land rents received	142,093	573,631
Common service fees	40,232	65,840
Other rent revenues	125,623	155,089
Total	537,190	1,299,519
Other rent business revenues		
Utilities charges received	88,033	131,343
Other revenues	4,454	3,686
Total	92,487	135,030
Total real estate rent business revenue	629,678	1,434,550
B. Real estate rent business expenses		
Rent business expenses		
Administrative expenses	73,625	110,614
Trust fees	1,350	4,596
Utilities charges	81,581	132,628
Non-life insurance premiums	538	2,215
Repair expenses	8,946	10,371
Taxes and public dues	60,153	32,250
Depreciation	20,088	83,091
Other rent business expenses	8,661	8,894
Total real estate rent business expenses	254,944	384,663
C. Income from real estate rent business (A - B)	374,734	1,049,886



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

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

	Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
Total number of investment units authorized	10,000,000 Units	10,000,000 Units
Total number of investment units issued and outstanding	48,649 Units	237,000 units

[Notes to Statement of Cash Flows]

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

(Unit: 1,000 yen)

	Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
Cash and deposits	424,421	1,130,148
Cash and deposits in trust	522,745	2,042,721
Cash and cash equivalents	947,166	3,172,869

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

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

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

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

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

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

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

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

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

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

The carrying value, fair value, and difference between the carrying value and fair value as of January 31, 2019 are as follows. Financial instruments, the fair value of which is deemed extremely difficult to be determined, are not included (see (Note 2)).

(Unit: 1,000 yen)

	Carrying value	Fair value (Note 1)	Difference
(1) Cash and deposits	424,421	424,421	–
(2) Cash and deposits in trust	522,745	522,745	–
Total assets	947,166	947,166	–
(3) Current portion of investment corporation bonds	300,000	300,137	137
(4) Current portion of long-term borrowings	6,000,000	6,000,000	–
(5) Long-term borrowings	–	–	–
Total liabilities	6,300,000	6,300,137	137

The carrying value, fair value, and difference between the carrying value and fair value as of July 31, 2019 are as follows. Financial instruments, the fair value of which is deemed extremely difficult to be determined, are not included (see (Note 2)).

(Unit: 1,000 yen)

	Carrying value	Fair value (Note 1)	Difference
(1) Cash and deposits	1,130,148	1,130,148	–
(2) Cash and deposits in trust	2,042,721	2,042,721	–
Total assets	3,172,869	3,172,869	–
(3) Current portion of investment corporation bonds	–	–	–
(4) Current portion of long-term borrowings	–	–	–
(5) Long-term borrowings	19,820,000	19,820,000	–
Total liabilities	19,820,000	19,820,000	–

(Note 1) The method of determining the fair value of financial instruments

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

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

(3) Current portion of investment corporation bonds and (5) Investment corporation bonds

The fair values of these items are determined by the present value that is calculated by discounting the total amount of principal and interest by an interest rate that takes into account the remaining period and the credit risk of the investment corporation bonds.

(4) Current portion of long-term borrowings and (6) Long-term borrowings

Given that these items are based on variable interest rates, they will reflect the market interest rates over a short period of time, and it might be said that their fair values are nearly equal to their carrying values. Therefore, the carrying value is used as the fair value.

(Note 2) The carrying value of financial instruments, the fair value of which is deemed extremely difficult to be determined

(Unit: 1,000 yen)

	4th fiscal period (January 31, 2019)	5th fiscal period (July 31, 2019)
Tenant lease and guarantee deposits in trust	342,201	1,486,733

Tenant lease and guarantee deposits in trust

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

(Note 3) Scheduled redemption of monetary claims after the closing date (January 31, 2019)

(Unit: 1,000 yen)

Category	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and deposits	424,421	–	–	–	–	–
Cash and deposits in trust	522,745	–	–	–	–	–
Total	947,166	–	–	–	–	–

Scheduled redemption of monetary claims after the closing date (July 31, 2019)

(Unit: 1,000 yen)

Category	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and deposits	1,130,148	–	–	–	–	–
Cash and deposits in trust	2,042,721	–	–	–	–	–
Total	3,172,869	–	–	–	–	–

(Note 4) Scheduled redemption of investment corporation bonds and loans after the closing date (January 31, 2019)

(Unit: 1,000 yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds	300,000	–	–	–	–	–
Long-term borrowings	6,000,000	–	–	–	–	–
Total	6,300,000	–	–	–	–	–

Scheduled redemption of investment corporation bonds and loans after the closing date (July 31, 2019)

(Unit: 1,000 yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Investment corporation bonds	–	–	–	–	–	–
Long-term borrowings	–	–	9,960,000	9,860,000	–	–
Total	–	–	9,960,000	9,860,000	–	–

[Notes to Tax Effect Accounting]

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

Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
Not applicable.	Not applicable.

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

(Unit: %)

	Previous fiscal period (As of January 31, 2019)	Current fiscal period (As of July 31, 2019)
Effective statutory tax rate	31.51	31.51
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.54)	(31.50)
Others	0.30	0.08
Burden rate of corporate taxes after applying tax effect accounting	0.27	0.09

[Notes to Real Estate for Lease]

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

(Unit: 1,000 yen)

		Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
Carrying value (Note 1)	Balance at the beginning of the period	10,668,324	10,650,898
	Changes during the period (Note 2)	(17,426)	31,349,604
	Balance at the end of the period	10,650,898	42,000,502
Fair value at the end of the period (Note 3)		11,500,000	45,988,000

(Note 1) The carrying value includes the acquisition cost and incidental costs associated with the acquisition.

(Note 2) Of the changes during the period, the amount of decrease in the previous fiscal period was due to depreciation (20,088 thousand yen). The amount of increase in current fiscal period was due to the acquisition of Pare Marche Nishiharu and others of 22 properties (31,423,805 thousand yen) and the amount of decrease was due to depreciation (83,091 thousand yen).

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

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

[Notes to Per Unit Information]

	Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
Net assets per unit	100,446 yen	99,636 yen
Net income per unit	5,402 yen	2,976 yen

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

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

(Note) The basis for calculating net income per unit is as follows.

		Previous fiscal period (May 1, 2018 – January 31, 2019)	Current fiscal period (February 1, 2019 – July 31, 2019)
Net income	(1,000 yen)	262,810	671,435
Amount not attributable to common unitholders	(1,000 yen)	–	–
Net income for common investment units	(1,000 yen)	262,810	671,435
Average number of investment units during the period	(Units)	48,649	225,553

[Notes to Significant Subsequent Events]

Not applicable.

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

Changes in the total amount of investment and the total number of investment units issued and outstanding for ESCON REIT since its establishment to July 31, 2019, are as follows.

Date	Summary	Total amount of investment (thousand yen)		Total number of investment units issued and outstanding (units)		Remarks
		Increase	Balance	Increase	Balance	
August 26, 2016	Establishment through private placement	200,000	200,000	2,000	2,000	(Note 1)
February 13, 2017	Capital increase through private placement	750,000	950,000	7,500	9,500	(Note 2)
October 13, 2017	Investment unit split	–	950,000	500	10,000	(Note 3)
December 1, 2017	Capital increase through private placement	3,671,655	4,621,655	38,649	48,649	(Note 4)
February 12, 2019	Capital increase through public offering	18,319,583	22,941,238	188,351	237,000	(Note 5)

(Note 1) ESCON REIT was established through private placement of investment units with the offer price per unit of ¥100,000.

(Note 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.

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

(Note 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.

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

### 3. Reference Information

#### (1) Portfolio information

##### i. Status of investment

Asset type	Region (Note 1)	4 <sup>TH</sup> fiscal period As of January 31, 2019		5 <sup>th</sup> fiscal period As of July 31, 2019	
		Total amount owned (million yen) (Note 2)	Ratio to total assets (%) (Note 3)	Total amount owned (million yen) (Note 2)	Ratio to total assets (%) (Note 3)
Real estate in trust	Tokyo metropolitan area	—	—	7,819	17.2
	Kinki region	8,514	73.0	16,364	36.1
	Chukyo metropolitan area	—	—	5,143	11.3
	Fukuoka metropolitan area	—	—	10,537	23.2
	Other Regions	2,136	18.3	2,136	4.7
Total real estate in trust		10,650	91.3	42,000	92.6
Deposits and other assets		1,017	8.7	3,346	7.4
Total assets		11,668	100.0	45,346	100.0

	Amount (million yen)	Ratio to total assets (%) (Note 3)	Amount (million yen)	Ratio to total assets (%) (Note 3)
Total liabilities	6,781	58.1	21,732	47.9
Total net assets	4,886	41.9	23,613	52.1

(Note 1) The Tokyo metropolitan regions refers to Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma Prefectures, The Kinki region refers to Osaka, Kyoto, Hyogo, Nara and Shiga Prefectures, Chukyo metropolitan area refers to Aichi, Shizuoka, Mie and Gifu Prefectures, and Fukuoka metropolitan area refers to Fukuoka Prefectures.

(Note 2) The total amount owned is based on the amount on the balance sheets as of the end of the fiscal period and rounded off to the nearest million yen.

(Note 3) The ratio to total assets is rounded off to the nearest first decimal place.

#### (2) Investment assets

##### i. Major investment securities

Not applicable

##### ii. Investment properties

Not applicable.

iii. Other major investment assets

A. Overview of assets owned

The overview of real estate, which is the trust asset of trust beneficial interests owned by ESCON REIT as of July 31, 2019, is as follows.

(As of July 31, 2019)

Property number (Note 1)	Property name	Location	Acquisition price (million yen) (Note 2)	Book value (million yen) (Note 3)	Appraisal value at the end of the period (million yen) (Note 4)	Appraiser
ST-1	Asumigaoka Brand-New Mall (including Asumigaoka (Leasehold land))	Chiba-shi, Chiba	3,200	3,249	3,595	The Tanizawa Sogo Appraisal Co., Ltd.
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi-shi, Chiba	451	456	460	Daiwa Real Estate Appraisal Co., Ltd.
SS-1	K's Denki Oyumino (Leasehold land)	Chiba-shi, Chiba	2,710	2,737	2,860	JLL Morii Valuation & Advisory KK
SS-2	Nitori Tsuchiura (Leasehold land)	Tsuchiura-shi, Ibaraki	999	1,007	1,080	JLL Morii Valuation & Advisory KK
SS-3	Nitori Imaichi (Leasehold land)	Nikko-shi, Tochigi	363	368	404	JLL Morii Valuation & Advisory KK
KT-1	tonarie Minami-senri	Suita-shi, Osaka	7,200	7,217	7,870	The Tanizawa Sogo Appraisal Co., Ltd.
KT-2	tonarie Seiwadai	Kawanishi-shi, Hyogo	3,290	3,309	3,400	Daiwa Real Estate Appraisal Co., Ltd.
KS-1	LAMU Kitatsumori (Leasehold land)	Osaka-shi, Osaka	1,270	1,284	1,480	JLL Morii Valuation & Advisory KK
KS-2	K's Denki Nishi-kobe (Leasehold land)	Kobe-shi, Hyogo	2,133	2,154	2,470	JLL Morii Valuation & Advisory KK
KS-3	Sanyo Marunaka Mitani (Leasehold land)	Kobe-shi, Hyogo	1,430	1,443	1,510	Daiwa Real Estate Appraisal Co., Ltd.
KS-4	Tsutaya Sakai-minami (Leasehold land)	Sakai-shi, Osaka	946	955	999	The Tanizawa Sogo Appraisal Co., Ltd.
TT-1	Pare Marche Nishiharu	Kitanagoya-shi, Aichi	4,610	4,659	4,670	Daiwa Real Estate Appraisal Co., Ltd.
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	Nabari-shi, Mie	477	483	534	JLL Morii Valuation & Advisory KK
FS-1	MrMAX Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	3,387	3,428	3,830	The Tanizawa Sogo Appraisal Co., Ltd.
FS-2	UNIQLO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	595	601	648	The Tanizawa Sogo Appraisal Co., Ltd.
FS-3	Avail.Shimamura Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	863	874	1,080	The Tanizawa Sogo Appraisal Co., Ltd.
FS-4	au-Softbank Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	143	145	158	The Tanizawa Sogo Appraisal Co., Ltd.
FS-5	Kura Sushi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	261	264	299	The Tanizawa Sogo Appraisal Co., Ltd.
FS-6	docomo Shop Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	160	163	179	The Tanizawa Sogo Appraisal Co., Ltd.
FS-7	Konpira Maru Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	236	239	262	The Tanizawa Sogo Appraisal Co., Ltd.
FS-8	One-Karubi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	236	239	262	The Tanizawa Sogo Appraisal Co., Ltd.
FS-9	Suke-san Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	401	405	418	The Tanizawa Sogo Appraisal Co., Ltd.
FS-10	NAFCO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	2,631	2,666	3,300	The Tanizawa Sogo Appraisal Co., Ltd.
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1,487	1,506	1,790	The Tanizawa Sogo Appraisal Co., Ltd.

OS- 1	K's Denki Kurashiki (Leasehold land)	Kurashiki-shi, Okayama	2,121	2,136	2,430	Daiwa Real Estate Appraisal Co., Ltd.
	Total		41,607	42,000	45,988	

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

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

(Note 3) The book value is rounded off to the stated value.

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



b. Overview of lease

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

(As of July 31, 2019)

Property number	Property name	Total number of tenants (Note 1)	Rentable area (m <sup>2</sup> ) (Note 2)	Leased area (m <sup>2</sup> ) (Note 2)	Occupancy rate (%) (Note 3)	Real estate rent business revenue (million yen) (Note 4)	Ratio to total rent revenue (%)
ST-1	Asumigaoka Brand-New Mall	25	22,421.68	21,718.15	96.9	201	14.1
	Asumigaoka Brand-New Mall(Leasehold land)	2	2,672.67	2,672.67	100.0		
ST-2	Nishi-shiroi Ekimae Plaza	4	969.72	969.72	100.0	18	1.3
SS-1	K's Denki Oyumino (Leasehold land)	1	23,379.50	23,379.50	100.0	65	4.6
SS-2	Nitori Tsuchiura (Leasehold land)	1	10,312.00	10,312.00	100.0	25	1.8
SS-3	Nitori Imaichi (Leasehold land)	1	10,236.00	10,236.00	100.0	11	0.8
KT-1	tonarie Minami-senri	45	7,535.16	7,535.16	100.0	317	22.2
KT-2	tonarie Seiwadai	31	8,798.01	8,798.01	100.0	169	11.8
KS-1	LAMU Kitatsumori (Leasehold land)	1	11,677.03	11,677.03	100.0	38	2.7
KS-2	K's Denki Nishi-kobe (Leasehold land)	1	9,787.68	9,787.68	100.0	57	4.0
KS-3	Sanyo Marunaka Mitani (Leasehold land)	1	9,610.80	9,610.80	100.0	31	2.2
KS-4	Tsutaya Sakai-minami (Leasehold land)	1	4,406.04	4,406.04	100.0	20	1.4
TT-1	Pare Marche Nishiharu	55	26,433.55	26,335.02	99.6	158	11.0
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	1	9,025.88	9,025.88	100.0	14	1.0
FS-1	MrMAX Kasuga (Leasehold land)	1	38,113.27	38,113.27	100.0	78	5.5
FS-2	UNIQLO Kasuga (Leasehold land)	1	5,426.59	5,426.59	100.0	12	0.9
FS-3	Avail.Shimamura Kasuga (Leasehold land)	1	8,752.57	8,752.57	100.0	21	1.5
FS-4	au-Softbank Kasuga (Leasehold land)	1	1,200.84	1,200.84	100.0	3	0.3
FS-5	Kura Sushi Kasuga (Leasehold land)	1	2,257.85	2,257.85	100.0	6	0.5
FS-6	docomo Shop Kasuga (Leasehold land)	1	1,358.76	1,358.76	100.0	4	0.3
FS-7	Konpira Maru Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.4
FS-8	One-Karubi Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.4
FS-9	Suke-san Kasuga (Leasehold land)	1	3,126.16	3,126.16	100.0	9	0.7
FS-10	NAFCO Kasuga (Leasehold land)	1	33,928.37	33,928.37	100.0	63	4.4
FS-11	K's Denki Kasuga (Leasehold land)	1	16,961.48	16,961.48	100.0	34	2.4
OS-1	K's Denki Kurashiki (Leasehold land)	1	11,433.38	11,433.38	100.0	56	3.9
	Total	182	283,791.95	282,989.89	99.7	1,434	100.0

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

(Note 2) The rentable area and the leased area rate are stated based on data as of the closing date.

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

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

(Note 4) The real estate rent business revenue is rounded off to the stated value.

(2) Capital expenditures

① Schedule of capital expenditures

There is no current plan of repair work applicable to the capital expenditure on the assets owned as of July 31, 2019.

② Capital expenditures during the period

There is no repair work applicable to the capital expenditure in current fiscal period on the assets owned as of July 31, 2019.