

16th Fiscal Period Semi-Annual Report

From: August 1, 2024
To: January 31, 2025

ESCON JAPAN REIT Investment Corporation

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

To Our Unitholders

It is our sincere hope that this message finds all our unitholders well and prosperous.

We are pleased to announce that ESCON JAPAN REIT Investment Corporation (hereinafter “ESCON REIT”) has successfully completed its 16th fiscal period (August 1, 2024 to January 31, 2025). We would like to express our sincere gratitude once again for your generous support.

For the fiscal period ended January 31, 2025, ESCON REIT focused on internal growth by increasing lease revenue, improving the financial balance of utility expenses through initiatives such as reducing electricity usage, and by lowering various operating expenses, including repair costs. As a result, the distribution per unit increased by 194 yen from the previous forecast to 3,474 yen.

Furthermore, ESCON REIT completed the acquisition of the “Kohnan tonarie Yamatotakada (leasehold land)” in April 2025. The property is a commercial leasehold land adjacent to the “tonarie Yamatotakada” commercial facility, which is owned by ESCON REIT and the property is leased to the “Kohnan” Home Center. The acquisition is expected to improve the overall convenience of the area centered around “tonarie Yamatotakada,” revitalize the local community, and improve the quality of our portfolio as lifestyle-focused assets, thereby contributing to enhancing unitholder value through medium- to long-term asset value growth.

Although major changes are taking place in the real estate and financial markets, ESCON REIT will aim to achieve steady growth in assets under management and maximize unitholder value through the investment and management of these lifestyle-focused assets, with the cooperation of its sponsor, ES-CON JAPAN Ltd. (hereinafter “ES-CON JAPAN”) and its support company, Chubu Electric Power Co., Inc. (hereinafter “Chubu Electric Power”) and Chuden Real Estate Co., Inc. ESCON REIT will utilize the unique network of ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the “Asset Manager”) which is the asset management company of ESCON REIT. ESCON REIT will also ensure that the operations of the lifestyle-focused assets are handled fairly and appropriately by ESCON REIT and the “Asset Manager.”

Therefore, we would appreciate the continued support and encouragement from our unitholders and other stakeholders.

I Asset Management Report

Overview of Asset Management

1. Trends in ESCON REIT's Management Status

Fiscal period		12th fiscal period From August 1, 2022 to January 31, 2023	13th fiscal period From February 1, 2023 to July 31, 2023	14th fiscal period From August 1, 2023 to January 31, 2024	15th fiscal period From February 1, 2024 to July 31, 2024	16th fiscal period From August 1, 2024 to January 31, 2025
Operating revenue	million yen	2,541	2,497	2,444	3,049	2,794
which consists of real estate lease revenue	million yen	2,541	2,497	2,444	2,485	2,794
Operating expenses	million yen	1,178	1,242	1,169	1,736	1,355
which consists of real estate lease expenses	million yen	969	1,034	947	972	1,140
Operating income	million yen	1,362	1,255	1,274	1,312	1,439
Ordinary income	million yen	1,194	1,140	1,136	1,170	1,253
Net income	million yen	1,859	1,139	1,135	1,169	1,252
Total assets	million yen	76,300	75,595	75,530	76,770	77,173
Period-on- period changes	%	0.4	(0.9)	(0.1)	1.6	0.5
Net assets	million yen	39,966	39,247	39,243	40,343	40,426
Period-on- period changes	%	1.5	(1.8)	(0.0)	2.8	0.2
Interest-bearing debt	million yen	33,091	33,091	33,091	33,091	33,091
Total amount of investment	million yen	38,107	38,107	38,107	39,173	39,173
Total number of investment units issued and outstanding	units	351,967	351,967	351,967	360,667	360,667
Net assets per unit*3	yen	113,552	111,507	111,497	111,857	112,089
Net income per unit*1	yen	5,283	3,239	3,227	3,299	3,474
Total distributions	million yen	1,859	1,139	1,135	1,169	1,252
Distribution per unit	yen	5,283	3,238	3,227	3,242	3,474
which consists of earnings distribution per unit	yen	5,283	3,238	3,227	3,242	3,474
which consists of distribution in excess of earnings per unit	yen	—	—	—	—	—
Ordinary income to total assets ratio*3	%	1.6	1.5	1.5	1.5	1.6
Annualized	%	3.1	3.0	3.0	3.1	3.2
Return on equity*3	%	4.7	2.9	2.9	2.9	3.1
Annualized	%	9.3	5.8	5.7	5.9	6.2
Equity ratio*3	%	52.4	51.9	52.0	52.6	52.4
Period-on- period changes		0.6	(0.5)	0.0	0.6	(0.2)
Payout ratio*3	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of operation	days	184	181	184	182	184
Number of investment properties at end of period	properties	38	38	38	37	37
Depreciation	million yen	179	183	187	201	209
Capital expenditures	million yen	104	101	73	66	187
Lease NOI (Net Operating Income) *3	million yen	1,751	1,646	1,684	1,714	1,863
FFO (Funds from Operations) *3	million yen	1,373	1,323	1,323	1,342	1,462
FFO per unit*3	yen	3,901	3,759	3,759	3,721	4,055
Loan to Value (LTV) at end of period*3	%	43.4	43.8	43.8	43.1	42.9

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

*3 Calculations are based on the following formulas:

Net assets per unit	Net assets / Total number of investment units issued and outstanding
Ordinary income to total assets ratio	Ordinary income / {(Total assets at beginning of period + Total assets at end of period) / 2} × 100
Return on equity	Net income / {(Net assets at beginning of period + Net assets at end of period) / 2} × 100
Equity ratio	Net assets at end of period / Total assets at end of period × 100
Payout ratio	Distribution per unit (excluding distribution in excess of earnings) / Net income per unit × 100 The payout ratios for the 15th fiscal periods are calculated based on the following formula, as the number of investment units changed due to the capital increase during those periods. Total distributions (excluding distributions in excess of earnings) / Net income × 100
Lease NOI (Net Operating Income)	Real estate lease revenue - Real estate lease expenses + Depreciation
FFO (Funds from Operation)	Net income + Depreciation - Gain/loss on sales of real estate In the 12th fiscal period, ESCON REIT received compensation for damages from the Asset Manager due to the Asset Manager's breach of fiduciary duty of loyalty, and such compensation for damages received was recorded as extraordinary income, which is calculated by the following formula. Net income + Depreciation - gain or loss on sale of real estate - Compensation for damages received
FFO per unit	FFO / Total number of investment units issued and outstanding
Loan to Value (LTV) at end of period	Balance of interest-bearing debt at end of period / Total assets at end of period × 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 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).

Afterwards ESCON REIT believes that, as the population declines and concentration of inhabitants in major metropolitan areas continues, the demand to live in highly convenient major cities or areas with easy access to large cities will remain stable. Also, ESCON REIT believes that in order to support affluent lifestyles for people living in these areas, ESCON REIT requires commercial facility*1, residence*2 and assets aimed at creating a sustainable society, which is expected to solve diverse social issues in everyday life that affect local communities, such as declining birth rates, aging populations, environmental and energy issues, labor and education issues, and problems wrought by natural disasters. ESCON REIT defines these assets as “lifestyle-focused assets” *3 and invests in lifestyle-focused assets located mainly in the five major metropolitan areas*4. Based on the above investment policy, ESCON REIT will seek to maximize unitholder value by aiming for more steady growth of assets under management.

ESCON REIT now owns 37 properties with a total acquisition price of 70,373 million yen as of the end of the current fiscal period.

*1. “Commercial facility” refers to real estate which the floor area of each use of the building has the largest floor area for commercial tenants, such as retailers, restaurants, cafes, service providers and amusement facility operators. The same applies hereinafter.

*2. “Residence” refers to real estate which each floor area of the building has the largest floor area for residential use, (however, assets aimed at creating a sustainable society are excluded.) The same applies hereinafter.

*3. “Lifestyle-focused assets” refers to commercial facilities, residences, and assets aimed at creating a sustainable society, and leasehold land. “Leasehold Land” refers to land leased by a third party which building is owned by this third party. The same applies hereinafter.

*4. The “five major metropolitan areas” refers to the Hokkaido region, the Tokyo Metropolitan Area, the Chubu region, the Kinki region and the Kyushu region. The Hokkaido region refers to Hokkaido Prefecture, the Tokyo Metropolitan Area refers to Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma Prefectures, the Chubu region refers to Aichi, Shizuoka, Mie, Nagano and Gifu Prefectures, the Kinki region refers to Osaka, Kyoto, Hyogo, Nara and Shiga Prefectures and the Kyushu region refers to Fukuoka, Kumamoto, Kagoshima, Miyazaki, Oita, Saga and Nagasaki Prefectures. The same applies hereinafter.

(2) Operating environment and management performance

During the current fiscal period, the Japanese economy is gradually recovering, though still at a standstill in some parts. The real GDP growth rate (second preliminary figure) for the October to December 2024 period was 0.6% (2.2% annualized), marking the third consecutive quarter of growth.

The rise in prices of frequently purchased items, such as energy and food, has put additional strain on household finances, thereby undermining consumer confidence. On the other hand, employment and income environment have strengthened. As a result, personal consumption has generally remained on a gradual upward trend.

As corporate earnings have also been trending upward, business sentiment has maintained a good level, and capital investment is gradually increasing. Amid these circumstances, the Bank of Japan raised interest rates in January 2025 for the third time since Governor Kazuo Ueda took office. As the monetary policy normalizes, interest rates are gradually increasing but steadily, and the focus is on the timing of further policy interest rate hikes.

In the real estate trading market, though some investors adopted a cautious stance due to the rises in the policy interest rates, market participants are keen to acquire properties against the backdrop of a continuously favorable funding environment and differences in interest rates between Japanese and overseas markets. As a result, the environment for acquiring properties continues to be a challenge. Meanwhile, the J-REIT (real estate investment trust) market has been sluggish amid expectations for higher interest rates. In the one-year period from January 31, 2024 to January 31, 2025, the Tokyo Stock Exchange REIT Index (price return index) fell by 5.22%. As of January 31, 2025, the average expected dividend yield for all J-REITs was 5.06%, and the average price-to-NAV (net asset value) ratio was 0.82.

For commercial facilities, as consumption trends remain stable and inbound demand increases, performance has been solid, particularly that of stores selling essentials and mid- to low-priced products. Stable foot traffic is expected at shopping malls and

outlet malls as well.

In this environment, ESCON REIT has continued to focus on creating an environment that will satisfy both customers visiting the commercial facilities it operates and tenants. As part of this effort, ESCON REIT has begun renovation work at tonarie Minami-senri with the aim of creating a facility that is more convenient and comfortable for local residents. ESCON REIT has also worked to secure stable revenue by taking measures to appropriately manage assets and increase revenue, including revising rents at the time of renewal of contracts and actively holding events that are in line with current trends.

As a result of the management activities described above, ESCON REIT owned 37 properties as of the end of the current fiscal period, and the occupancy rate remained high at 99.7%*.

Moreover, in October 2024, in the 2024 GRESB Real Estate Assessment, ESCON REIT earned a “One Star” in GRESB Rating, which is based on GRESB Overall Score and its quintile position relative to global participants. Furthermore, ESCON REIT also obtained a “Green Star” designation for the 4th consecutive year by achieving high performance both in “Management Component” that evaluates policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of properties owned. ESCON REIT and the Asset Manager are promoting initiatives to reduce environmental impact and revitalize local communities, based on the recognition that ESG initiatives through the management of commercial facilities and other lifestyle-focused assets contribute to increasing unitholder value.

* The occupancy rate is calculated by the calculation formula below based on data as of the end of the fiscal period and rounded off to the nearest first decimal place.

Occupancy rate = Leased area / Leasable area * 100

(3) Procurement of funds

During the current fiscal period, in order to refinance 2,386 million yen in loans maturing on January 31, 2025, ESCON REIT borrowed the same amount of 2,386 million yen on the same date. In addition, to hedge against the risk of rising interest rates by aiming to fix interest rate payments, ESCON REIT entered in an interest rate swap contract for 2,386 million yen, which is the same amount as the borrowing mentioned above. As a result, the balance of interest-bearing debt as of the end of the current fiscal period was 33,091 million yen, and the ratio of interest-bearing debt to total assets (hereinafter, “LTV”) was 42.9%.

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 activities described above, ESCON REIT posted operating revenue of 2,794 million yen, operating income of 1,439 million yen, ordinary income of 1,253 million yen and net income of 1,252 million yen for the current fiscal period. For distributions, ESCON REIT has decided to distribute an amount of 1,252 million yen as earnings distributions, which approximates 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 3,474 yen.

(5) Governance structure of ESCON REIT and the Asset Manager

The Asset Manager changed the organizational structure to a company with an Audit and Supervisory Committee on June 28, 2022, and based on the Compliance Declaration established on August 31, 2022 and the Management Philosophy established on September 26, 2022, the Asset Manager has implemented various measures, including compliance with the operational rules such as the operational flow for property acquisition and other activities, the rules for ordering real estate appraisal, various regulations and manuals, and the monitoring of the ordering operations of real estate appraisal by the Compliance Department, and the implementation of various training and assessment tests to continuously improve compliance systems related to conflicts of interest. Through these initiatives, the Asset Manager has established a stronger governance system for the operation of the ESCON REIT. In addition, the Board of Directors of ESCON REIT is now composed of one Executive Director and two Supervisory Directors who have no relationship of special interest with the Asset Manager.

As stated above, ESCON REIT and the Asset Manager are working to improve ESCON REIT’s operational structure and are actively and continuously striving to improve the effectiveness of the governance structure.

The activities of the various meeting bodies of ESCON REIT and the Asset Manager during the current fiscal period are as follows.

I. Activities of the Board of Directors of ESCON REIT

The Board of Directors of ESCON REIT held board meetings six times during the current fiscal period, and Executive Director and two Supervisory Directors attended all six meetings.

No meetings were held to share information in advance and to explain the agenda items of the Board of Directors meetings in advance.

II. Activities of the Board of Directors and the Audit and Supervisory Committee of the Asset Manager

a. Activities of the Board of Directors

The Board of Directors of the Asset Manager held board meetings eight times during the current fiscal period, and all six members of Directors attended all eight meetings.

No meetings were held to share information in advance and to explain the agenda items of the Board of Directors meetings in advance.

b. Activities of the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Asset Manager held the Audit and Supervisory Committee meeting six times during the current fiscal period, and all three Directors who are Audit and Supervisory Committee Members attended all six meetings.

III. Activities of the Compliance Committee of the Asset Manager

The Compliance Committee of the Asset Manager held four meetings during the current fiscal period, and all four members of the Compliance Committee, including the external members, attended all four meetings.

In addition, one separate meeting was held to share information in advance and to explain the agenda items at the Compliance Committee in advance.

IV. Activities of the Investment Management Committee of the Asset Manager

The Investment Management Committee of the Asset Manager held seven meetings during the current fiscal period, and all seven members, comprising the six Investment Management Committee members, including external members, and one Compliance Officer attended all seven meetings.

In addition, two separate meetings were held to share information in advance and to explain the agenda items at the Investment Management Committee in advance.

3. Capital Increase

Changes for the past five years in the Unitholders' capital and the total number of issued and outstanding investment units for ESCON REIT through January 31, 2025, 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	
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236	28,177	*1
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261	28,439	*2
August 2, 2021	Capital increase through public offering	65,700	348,682	9,207	37,646	*3
August 24, 2021	Capital increase through third-party allotment	3,285	351,967	460	38,107	*4
June 11, 2024	Capital increase through third-party allotment	8,700	360,667	1,066	39,173	*5

*1. 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.

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

*3. 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.

*4. 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.

*5. ESCON REIT issued new investment units through a third-party allotment with issue price per unit 122,600 yen for the purpose of raising funds to acquire specified assets.

<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	12th fiscal period	13th fiscal period	14th fiscal period	15th fiscal period	16th fiscal period
End of period	January 2023	July 2023	January 2024	July 2024	January 2025
Highest (yen)	121,800	122,400	122,500	129,000	123,800
Lowest (yen)	107,600	103,100	113,300	113,700	107,900

4. Distributions

During the current fiscal period, ESCON REIT decided to distribute a substantial amount of unappropriated retained earnings of 1,253 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 3,474 yen.

Fiscal period	12th fiscal period From August 1, 2022 to January 31, 2023	13th fiscal period From February 1, 2023 to July 31, 2023	14th fiscal period From August 1, 2023 to January 31, 2024	15th fiscal period From February 1, 2024 to July 31, 2024	16th fiscal period From August 1, 2024 to January 31, 2025
Total amount of unappropriated retained earnings (thousand yen)	1,859,465	1,139,874	1,136,067	1,169,446	1,253,039
Retained earnings brought forward (thousand yen)	24	205	270	164	82
Total cash distributions (thousand yen)	1,859,441	1,139,669	1,135,797	1,169,282	1,252,957
Distribution per unit (yen)	5,283	3,238	3,227	3,242	3,474
Consisting of total earnings distributions (thousand yen)	1,859,441	1,139,669	1,135,797	1,169,282	1,252,957
Earnings distribution per unit (yen)	5,283	3,238	3,227	3,242	3,474
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

It is believed that the Japanese economy in the near future will remain on a gradual recovery trend due to growth in personal consumption amid rises in salaries and improvements in employment environment and increases in corporate capital investment. The real estate market is expected to show steady growth with land prices in major urban areas on an upward trend for three consecutive years for both residential and commercial land. It is essential to monitor the effects of rising prices, U.S. policy developments, situations in the Middle East, fluctuations in financial and capital markets, etc. more closely than ever.

Under these circumstances, ESCON REIT will acquire and properly manage lifestyle-focused assets and conduct stable and sound financial operations to secure strong revenue and steadily increase asset values over the medium to long term.

(2) Internal growth in pursuit of lease revenue growth potential

ESCON REIT conducts satisfaction surveys on each tenant and the use of its facilities to residents living in the surrounding neighborhood of its owned assets to improve the management of its owned assets. Based on the results of these surveys, ESCON REIT will plan and implement measures to improve the convenience and comfort of the facilities and the frequency of use, including latent needs, as well as to increase the recognition of the properties and the area, and aims to achieve steady internal growth of the assets it owns through the initiatives described in a. and b. below.

a. Initiatives to improve lease revenue

ESCON REIT aims to maintain and improve lease revenue for its entire portfolio by implementing appropriate operational management for each asset held, including early and optimal tenant attraction that takes into account the rental market and overall tenant composition as well as hosting events to increase foot traffic and lease revenue, regular review of maintenance and management expenses related to rental management, and initiatives to improve tenant and customer satisfaction.

b. Initiatives to increase asset value

ESCON REIT considers asset depreciation an inevitable issue when holding assets over the medium to long term due to the aging of owned assets as well as changes in the region, location and customer demand. In addition to routine cleaning and equipment maintenance, ESCON REIT aims to increase asset value by improving property competitiveness through repairs and renovations based on long-term repair plans, rebuilding and renovating assets in partnership with sponsors, and branding of assets held.

(3) External growth pursuing portfolio stability and growth potential

After thoroughly managing conflicts of interest, ESCON REIT will leverage its strong sponsor pipeline, including granting preferential negotiation rights related to owned real estate properties and support for the redevelopment of properties based on the real estate development capabilities of ES-CON JAPAN, a comprehensive developer*, also will leverage various forms of support to its fullest, including provision of warehousing functions, sponsor co-investments, environmentally friendly technologies, and expertise on energy cost reduction, through partnership with the Chubu Electric Power Group (Chubu Electric Power, its subsidiaries, and affiliates, excluding ES-CON JAPAN, its subsidiaries, and affiliates; the same shall apply hereinafter). The Asset Manager aimed at enhancing its unique property acquisition network to actively acquire high-quality properties from third parties by continuously acquiring outside information on properties in addition to information from our sponsors ES-CON JAPAN and Chubu Electric Power Group, aiming to expand ESCON REIT's asset size, improve the quality of our portfolio, and achieve steady external growth.

* "Comprehensive developer" is a term used in this document to describe a developer that engages in a wide range of real estate development projects, including condominiums, standalone houses, commercial facilities, hotels, and logistics facilities; in other words, a developer that engages in development efforts comprehensively as a business.

(4) Financial policy

ESCON REIT will raise funds to achieve stable and sound financial operations 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 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, ESCON REIT will examine the financing methods (loans, investment corporate bonds), the ratio of long-term debt, ratio of loans with fixed interest rates, the diversification of repayment dates and the need to provide security, among others.

For the LTV, ESCON REIT will set 50% as the upper limit, in principle, based on our policy of maintaining a conservative threshold. ESCON REIT will also efficiently and appropriately manage cash by accurately assessing the financing needs of its portfolio through constant monitoring.

6. Significant Subsequent Events

A. Acquisition of an asset

The Asset Manager, to which ESCON REIT entrusts the management of its assets, decided to acquire the following asset on March 17, 2025, and ESCON REIT entered into a sales agreement of trust beneficial interest as of the same date.

ES-CON JAPAN, the seller, is considered an interested party under the Investment Trust Act. Accordingly, the Asset Manager has obtained the consent of ESCON REIT based on the approval of ESCON REIT's Board of Directors, which met on March 17, 2025, in compliance with the Investment Trust Act.

In addition, since ES-CON JAPAN is also considered an interested party under the Asset Manager's internal regulations, namely, the Interested Party Transaction Rules, the Asset Manager has followed the decision-making procedures stipulated in them in acquiring the asset from ES-CON JAPAN.

Property name	Kohnan tonarie Yamatotakada (leasehold land)
Type of specified asset	Real estate trust beneficial interest
Property type	Commercial facility
Location	Yamatotakada City, Nara
Acquisition date	April 1, 2025
Seller	ES-CON JAPAN Ltd.
Acquisition price ^{*1}	1,145 million yen
Appraisal value ^{*2}	1,170 million yen (Date of value: February 28, 2025)

*1. "Acquisition price" states the sales price (rounded off to the nearest million yen) of the real estate trust beneficial interest stated in the relevant sales agreement of the Asset to be Acquired, and excluding consumption tax, local consumption tax and other acquisition-related costs.

*2 For details on the appraisal value, please refer to the "Notice Concerning Acquisition of a Domestic Real Estate Trust Beneficial Interest (Kohnan tonarie Yamatotakada (leasehold land))" announced March 17, 2025.

B. Borrowing

The Asset Manager decided to enter in the following borrowing as of March 17, 2025 for the purpose of using the borrowed fund to finance the planned asset acquisition mentioned in "A. Acquisition of an asset" and related costs. ESCON REIT concluded an individual loan agreement as of the same date.

Type	Lender	Borrowing amount	Interest rate	Date of borrowing	Date of repayment	Repayment method	Summary
Short-term borrowing	Mizuho Bank, Ltd.	1,160 million yen	Base rate (one-month Japanese yen Tokyo Interbank Offered Rate (Japanese Bankers Association (JBA))) +0.20%	April 1, 2025	January 31, 2026	Bullet repayment	Unsecured/ Unguaranteed

Overview of ESCON REIT

1. Investment Status

	12th fiscal period ended January 31, 2023	13th fiscal period ended July 31, 2023	14th fiscal period ended January 31, 2024	15th fiscal period ended July 31, 2024	16th fiscal period ended January 31, 2025
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)	351,967	351,967	351,967	360,667	360,667
Total amount of investment (million yen)	38,107	38,107	38,107	39,173	39,173
Number of unitholders (people)	15,754	16,336	16,385	16,454	16,627

2. Matters Concerning Investment Units

The major unitholders as of January 31, 2025 are as follows:

Company name	Number of investment units held (units)	Ratio to total number of investment units issued and outstanding (%) *
Custody Bank of Japan, Ltd. (Trust Account)	38,978	10.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,767	9.6
ES-CON JAPAN Ltd.	16,894	4.7
Osaka Co-sei Shinkin Bank	16,893	4.7
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	14,433	4.0
Chuden Real Estate Co., Inc.	8,700	2.4
Daido Shinkumi Bank	6,415	1.8
Kinkisangyo Shinkumi Bank	6,226	1.7
Osaka Shoko Shinkin Bank	5,487	1.5
THE SAIKYO BANK, LTD.	4,950	1.4
Total	153,743	42.6

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

3. Matters Concerning Directors and Audit Firm

(1) The Executive Director, Supervisory Director and Audit Firm 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) *2*3
Executive Director*1	Tadashi Ebihara	Tower Management Co., Ltd. President & Representative Director	2,400
Supervisory Director*1	Satoshi Ugajin	JBA Holdings Co., Ltd. Director	3,000
		Scala Inc. Outside Director	
		JBA HR Solution Co., Ltd. President and Representative Director	
		JBA Financial Advisory Co., Ltd. President and Representative Director	
	Rin Moriguchi	Momo-o, Matsuo & Namba Law Firm Partner Attorney	
Audit Firm	BDO Sanyu & Co.	-	9,800

*1 The Executive Director and the Supervisory Director does not own 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 For the executive director and supervisory directors, the amounts paid for the current fiscal period, 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.

*3 Fees paid to the audit firm includes remuneration for auditing the English version of the financial statements. Additional fees were not paid to other accounting firms in the same network.

(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 considering 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, 2025, 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

Asset type	Region	15th fiscal period As of July 31, 2024		16th fiscal period As of January 31, 2025	
		Total holdings (million yen) *1	Ratio to total assets (%) *2	Total holdings (million yen) *1	Ratio to total assets (%) *2
Real estate in trust	Hokkaido region	1,310	1.7	1,310	1.7
	Tokyo metropolitan area	11,482	15.0	11,463	14.9
	Chubu region	483	0.6	483	0.6
	Kinki region	34,575	45.0	34,616	44.9
	Kyushu region	15,121	19.7	15,109	19.6
	Other areas	7,425	9.7	7,394	9.6
Total real estate in trust		70,400	91.7	70,377	91.2
Deposits and other assets		6,369	8.3	6,795	8.8
Total assets		76,770	100.0	77,173	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, 2025:

Property number	Property name	Book value (million yen) *1	Leasable area (m ²) *2	Leased area (m ²) *2	Occupancy rate (%) *3	Ratio to total real estate leasing revenue (%)	Primary use
16103	tonarie Yamatotakada	8,083	14,406.21	14,104.31	97.9	13.5	Commercial facility
16101	tonarie Minami-senri	7,389	7,529.86	7,529.86	100.0	15.9	Commercial facility
16104	tonarie Toga-Mikita	6,771	8,471.24	8,471.24	100.0	9.7	Commercial facility
18101	SUROY Mall Nagamine	4,572	12,622.98	12,622.98	100.0	6.8	Commercial facility
19101	Fuji Grand Natalie	3,848	28,543.96	28,543.96	100.0	Not disclosed *4	Commercial facility
13103	fab Minamiosawa	3,744	8,418.42	7,783.62	92.5	5.3	Commercial facility
18201	MrMax Kasuga (Leasehold land)	3,428	38,113.27	38,113.27	100.0	3.0	Commercial facility
16102	tonarie Seiwadai	3,166	8,798.01	8,717.16	99.1	6.4	Commercial facility
13101	Asumigaoka Brand-New Mall	3,151	22,908.32	22,818.11	99.6	9.6	Commercial facility
	Asumigaoka Brand-New Mall (Leasehold land)		1,472.64	1,472.64	100.0		
13201	K's Denki Oyumino (Leasehold land)	2,737	23,379.50	23,379.50	100.0	2.5	Commercial facility
Total		46,894	174,664.41	173,556.65	99.4	—	

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

*2 "Leasable area" is the total area considered available for lease in the acquired assets (if the acquired asset is leasehold lands, such lands) as of January 31, 2025, based on the various lease agreements, reports prepared by property management companies, or building plans. In addition, the Leased Area for assets for which a master lease agreement has been concluded is the total area that has been leased to end tenants with sublease agreements. For the "Fuji Grand Natalie," Fuji Corporation has entered into a lease agreement for the whole building and is covered by the "leased area". The amounts are rounded off to the second decimal point.

*3 The occupancy rate is calculated by the calculation formula below based on data as of the closing date and rounded off to the nearest first decimal place.
Occupancy rate = Leased area / Leasable area × 100

*4 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, 2025:

Property number	Property name	Location	Type of ownership* ¹	Book value (million yen)	Appraisal value at end of period (million yen)* ²
11201	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	Sapporo City, Hokkaido	Trust beneficiary interest	1,310	1,350
13101	Asumigaoka Brand-New Mall* ³	Chiba City, Chiba	Trust beneficiary interest	3,151	① 3,290
	Asumigaoka Brand-New Mall (Leasehold land)* ⁴				② 164
					151
13102	Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba	Trust beneficiary interest	454	489
13103	fab Minamiosawa	Hachioji City, Tokyo	Trust beneficiary interest	3,744	4,400
13201	K's Denki Oyumino (Leasehold land)	Chiba City, Chiba	Trust beneficiary interest	2,737	2,880
13202	Nitori Tsuchiura (Leasehold land)	Tsuchiura City, Ibaraki	Trust beneficiary interest	1,007	1,100
13203	Nitori Imaichi (Leasehold land)	Nikko City, Tochigi	Trust beneficiary interest	368	411
15201	MaxValu Kikyogaoka-higashi (Leasehold land)	Nabari City, Mie	Trust beneficiary interest	483	554
16101	tonarie Minami-senri	Suita City, Osaka	Trust beneficiary interest	7,389	11,100
16102	tonarie Seiwadai	Kawanishi City, Hyogo	Trust beneficiary interest	3,166	3,380
16103	tonarie Yamatotakada	Yamatotakada City, Nara	Trust beneficiary interest	8,083	8,130
16104	tonarie Toga-Mikita	Sakai City, Osaka	Trust beneficiary interest	6,771	7,210
16201	LAMU Kitatsumori (Leasehold land)	Osaka City, Osaka	Trust beneficiary interest	1,284	1,480
16202	K's Denki Nishi-kobe (Leasehold land)	Kobe City, Hyogo	Trust beneficiary interest	2,154	2,470
16203	Sanyo Marunaka Mitani (Leasehold land)	Kobe City, Hyogo	Trust beneficiary interest	1,443	1,550
16206	TRIAL Omihachiman (Leasehold land)	Omihachiman City, Shiga	Trust beneficiary interest	1,019	1,110
16207	Kusuri no Aoki Ikaruga (Leasehold land)* ⁵	Ikoma District, Nara	Trust beneficiary interest	718	① 702
					② 29
16208	DRUG Yutaka Mukokamiueno (Leasehold land)	Muko City, Kyoto	Trust beneficiary interest	464	477
16209	WELCIA Amagasaki Mukomotomachi (Leasehold land)	Amagasaki City, Hyogo	Trust beneficiary interest	571	578
16210	Cocokara Fine Neyagawakoen (Leasehold land)	Neyagawa City, Osaka	Trust beneficiary interest	709	721
16211	ENEOS Ikawadani SS (Leasehold land)	Kobe City, Hyogo	Trust beneficiary interest	535	531
16212	GEO Hikone Takamiya (Leasehold land)	Hikone City, Shiga	Trust beneficiary interest	304	303
18101	SUROY MALL Nagamine	Kumamoto City, Kumamoto	Trust beneficiary interest	4,572	4,190
18201	MrMAX Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	3,428	4,010
18202	UNIQLO Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	601	685
18203	Avail.Shimamura Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	874	1,130
18204	au-SoftBank Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	145	162
18205	Kura Sushi Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	264	306
18206	docomo Shop Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	163	183
18207	Konpira Maru Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	239	266
18208	One-Karubi Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	239	266

Property number	Property name	Location	Type of ownership ^{*1}	Book value (million yen)	Appraisal value at end of period (million yen) ^{*2}
18209	Suke-san Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	405	423
18210	NAFCO Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	2,666	3,500
18211	K's Denki Kasuga (Leasehold land)	Kasuga City, Fukuoka	Trust beneficiary interest	1,506	1,880
19101	Fuji Grand Natalie	Hatsukaichi City, Hiroshima	Trust beneficiary interest	3,848	4,190
19201	K's Denki Kurashiki (Leasehold land)	Kurashiki City, Okayama	Trust beneficiary interest	2,136	2,460
39101	Hasekura Medical Building	Sendai City, Miyagi	Trust beneficiary interest	1,410	1,480
	Total			70,377	79,691

*1. Trust beneficiary interest represents trust beneficiary interest in mainly real estate.

*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. The "Appraisal value at the end of the period" for "Asumigaoka Brand New Mall" indicates the value of the retail building as (1) and the separate building (the building acquired free of charge from Akindo Sushiro Co. The same applies hereinafter) as (2), respectively.

*4. For "Asumigaoka Brand-New Mall (Leasehold land)," a fixed-term business-use land lease agreement has been concluded with McDonald's Holdings Company (Japan), Ltd. The same applies below.

*5. "Kusuri no Aoki Ikaruga (Leasehold land)" has fixed-term business-use land lease agreements with two lessees, Kusuri no Aoki Co., Ltd. and Ikaritombo Co., Ltd. and the "Book value" is the sum of the amounts for the two lessees. In addition, "Appraisal value at the end of period" shows the portion pertaining to Kusuri no Aoki 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	15th fiscal period From February 1, 2024 to July 31, 2024				16th fiscal period From August 1, 2024 to January 31, 2025			
		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	(%) *4	(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	(%) *4
11201	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
13101	Asumigaoka Brand-New Mall	30	99.7	249	10.0	29	99.6	268	9.6
	Asumigaoka Brand-New Mall (Leasehold land)	1	100.0			1	100.0		
13102	Nishi-shiroi Ekimae Plaza	4	100.0	20	0.8	4	100.0	20	0.7
13103	fab Minamiosawa	12	92.5	24	1.0	12	92.5	147	5.3
13201	K's Denki Oyumino (Leasehold land)	1	100.0	70	2.8	1	100.0	70	2.5
13202	Nitori Tsuchiura (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
13203	Nitori Imaichi (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
15101	Yoshizuya Y Store Nishiharu*6	—	—	93	3.8	—	—	—	—
15201	MaxValu Kikyogaoka-higashi (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
16101	tonarie Minami-senri	45	99.6	331	13.3	44	100.0	443	15.9
16102	tonarie Seiwadai	31	99.1	173	7.0	31	99.1	177	6.4
16103	tonarie Yamatotakada	66	100.0	212	8.6	62	97.9	377	13.5
16104	tonarie Toga-Mikita	31	100.0	261	10.5	31	100.0	270	9.7
16201	LAMU Kitatsumori (Leasehold land)	1	100.0	38	1.5	1	100.0	38	1.4
16202	K's Denki Nishi-kobe (Leasehold land)	1	100.0	62	2.5	1	100.0	62	2.2
16203	Sanyo Marunaka Mitani (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
16204	TSUTAYA Sakai-minami (Leasehold land)*6	—	—	17	0.7	—	—	—	—
16205	LIFE Daisen (Leasehold land)*6	—	—	58	2.3	—	—	—	—
16206	TRIAL Omihachiman (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
16207	Kusuri no Aoki Ikaruga (Leasehold land)*4	2	100.0	Not disclosed *5	Not disclosed *5	2	100.0	Not disclosed *5	Not disclosed *5
16208	DRUG Yutaka Mukokamiueno (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
16209	WELCIA Amagasaki Mukomotomachi (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
16210	Cocokara Fine Neyagawakoen (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5

Property number	Property name	15th fiscal period From February 1, 2024 to July 31, 2024				16th fiscal period From August 1, 2024 to January 31, 2025			
		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	(%) *5	(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	(%) *5
16211	ENEOS Ikawadani SS (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
16212	GEO Hikone Takamiya (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
18101	SUROY MALL Nagamine	24	100.0	185	7.4	24	100.0	191	6.8
18201	MrMAX Kasuga (Leasehold land)	1	100.0	84	3.4	1	100.0	84	3.0
18202	UNIQLO Kasuga (Leasehold land)	1	100.0	13	0.6	1	100.0	13	0.5
18203	Avail.Shimamura Kasuga (Leasehold land)	1	100.0	23	0.9	1	100.0	23	0.9
18204	au-SoftBank Kasuga (Leasehold land)	1	100.0	3	0.2	1	100.0	3	0.1
18205	Kura Sushi Kasuga (Leasehold land)	1	100.0	7	0.3	1	100.0	7	0.3
18206	docomo Shop Kasuga (Leasehold land)	1	100.0	4	0.2	1	100.0	4	0.2
18207	Konpira Maru Kasuga (Leasehold land)	1	100.0	6	0.3	1	100.0	6	0.2
18208	One-Karubi Kasuga (Leasehold land)	1	100.0	6	0.3	1	100.0	6	0.2
18209	Suke-san Kasuga (Leasehold land)	1	100.0	10	0.4	1	100.0	10	0.4
18210	NAFCO Kasuga (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
18211	K's Denki Kasuga (Leasehold land)	1	100.0	37	1.5	1	100.0	37	1.3
19101	Fuji Grand Natalie	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
19201	K's Denki Kurashiki (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
39101	Hasekura Medical Building	6	100.0	8	0.4	6	100.0	50	1.8
	Total	279	99.8	2,485	100.0	273	99.7	2,794	100.0

*1. The “total number of tenants” is reported based on data as of the closing date. For properties under a pass-through type master lease contract, the total number of tenants is reported based on end tenants. For “Fuji Grand Natalie,” Fuji Corporation has entered into a lease agreement for the whole building.

*2. The “occupancy rate” is calculated by the calculation formula below based on data as of the closing date and rounded off to the nearest first decimal place.
Occupancy rate = Leased area / Leasable area × 100

*3. The “real estate leasing business revenue” is rounded off to the stated value.

*4. “Kusuri no Aoki Ikaruga (Leasehold land)” has fixed-term business-use land lease agreements with two lessees, Kusuri no Aoki Co., Ltd., and Ikaritombo Co., Ltd. Each figure is the sum of the figures for the two lessees.

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

*6. “Yoshizuya Y Store Nishiharu,” “TSUTAYA Sakai-minami (Leasehold land)” and “Life Daisen (Leasehold land)” were disposed on June 27, 2024. The “Total number of tenants (As of the end of the fiscal period)” and “Occupancy rate (As of the end of the fiscal period)” in 15th and 16th fiscal period for these properties have not been calculated, and “Real estate leasing business revenue (During the fiscal period)” and “Percentage of total real estate leasing revenue” in 15th fiscal period are the figures corresponding to the period during which ESCON REIT held these properties in the 15th fiscal period.

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

The following is a summary of outstanding contracted amount and fair value of specified transactions of ESCON REIT as of January 31, 2025

Classification	Type	Contract amounts (thousand yen) *1		Fair value (thousand yen)
			Due after 1 Year	
Non-market transactions	Interest Rate Swap Receive-floating/pay-fixed	4,262,600	4,262,600	*2
Total		4,262,600	4,262,600	

*1. "Contract amounts" for interest rate swaps transactions are based on notional principal.

*2. The transaction meets the requirements for Special Treatment under the Accounting Standard for Financial Instruments, and accordingly, the Fair Value is omitted.

8. Status of Other Assets

The trust beneficiary interests in real estate held by ESCON REIT are collectively listed in "3. Real Estate Assets in the Portfolio."

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

A schedule of major capital expenditures for renovation work, etc. currently planned for the assets held as of January 31, 2025 is shown below. A major capital expenditure for renovation work is reported when 1% or more of the book value exists at the end of the period. Please note that the projected construction amounts below include the portion to be treated as expenses for accounting purposes.

Property name	Location	Purpose of construction	Scheduled construction period	Estimated construction cost (million yen)		
				Total	Current fiscal period amount paid	Total amount of already paid
tonarie Minami-senri	Suita City, Osaka	Renovation work (2nd term)	From January 2025 to April 2025	206	10	10
Asumigaoka Brand-New Mall	Chiba City, Chiba	Full water proofing work on the rooftop parking lot	From February 2025 to April 2025	81	—	—

2. Capital Expenditures During the Fiscal Period

Major construction projects fall under the category of capital expenditures conducted during the current fiscal period for the assets owned as of January 31, 2025 is shown below. A major capital expenditure for renovation work is reported when 1% or more of the book value exists at the end of the period.

Property name	Location	Purpose of construction	Construction period	Construction cost (million yen)
tonarie Minami-senri	Suita City, Osaka	Renovation work (1st term)	From September 2024 to January 2025	95

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	12th fiscal period From August 1, 2022 to January 31, 2023	13th fiscal period From February 1, 2023 to July 31, 2023	14th fiscal period From August 1, 2023 to January 31, 2024	15th fiscal period From February 1, 2024 to July 31, 2024	16th fiscal period From August 1, 2024 to January 31, 2025
Reserve balance at the beginning of fiscal period (million yen)	152	121	136	153	105
Amount accumulated during the fiscal period (million yen)	11	15	21	20	21
Amount reversed during the fiscal period (million yen)	41	-	5	67	-
Amount carried over to the next fiscal period (million yen)	121	136	153	105	127

Expenses and Liabilities

1. Breakdown of Operational Expenses

(Unit: thousand yen)

Item	15th fiscal period From February 1, 2024 to July 31, 2024	16th fiscal period From August 1, 2024 to January 31, 2025
Asset management fees*	137,799	141,787
Asset custody fees	3,658	3,706
Administrative agent fees	12,573	11,709
Directors' remuneration	5,400	5,400
Taxes and public dues	20,539	7,780
Other expenses	48,879	44,333
Total	228,851	214,717

* In addition to the amounts described above, "Asset management fees" includes 70,290 thousand yen in fees for property acquisitions that were included in the book value of individual investment properties and 41,500 thousand yen in fees for property dispositions that were deducted from the gain or loss on sales of individual investment properties in the 15th fiscal period. There is no applicable information for the 16th fiscal period.

2. Status of Borrowings

The status of borrowings as of January 31, 2025 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
Long-term borrowings*1	Mizuho Bank, Ltd.	August 3, 2021	687,000	687,000	0.755	July 31, 2025	Bullet repayment	*3	Unsecured/ Unguaranteed
	The Bank of Yokohama, Ltd.		450,000	450,000					
	Sumitomo Mitsui Banking Corporation		400,000	400,000					
	Sumitomo Mitsui Trust Bank, Limited		400,000	400,000					
	The Aichi Bank, Ltd.		300,000	300,000					
	Resona Bank, Limited		250,000	250,000					
	The Minato Bank, Ltd.		200,000	200,000					
	Mizuho Trust & Banking Co., Ltd.		200,000	200,000					
	Sumitomo Mitsui Banking Corporation	August 3, 2021	500,000	500,000	0.855	July 31, 2026	Bullet repayment	*3	Unsecured/ Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		400,000	400,000					
	MUFG Bank, Ltd.		400,000	400,000					
	The Yamaguchi Bank, Ltd.		400,000	400,000					
	Resona Bank, Limited		350,000	350,000					
	Mizuho Bank, Ltd.		337,000	337,000					
	The Hyakugo Bank, Ltd.		300,000	300,000					
	The Minato Bank, Ltd.		200,000	200,000					
	Mizuho Bank, Ltd.	August 3, 2021	737,000	737,000	0.905	July 31, 2027	Bullet repayment	*3	Unsecured/ Unguaranteed
	The Aichi Bank, Ltd.		500,000	500,000					
	AEON Bank, Ltd.		400,000	400,000					
	The Yamaguchi Bank, Ltd.		400,000	400,000					
	The Bank of Yokohama, Ltd.		350,000	350,000					

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	The Minato Bank, Ltd.		300,000	300,000					
	MUFG Bank, Ltd.		200,000	200,000					
	The Bank of Fukuoka, Ltd.	January 31, 2022	990,000	—	0.703	January 31, 2025	Bullet repayment	*4	Unsecured/ Unguaranteed
	Resona Bank, Limited		750,000	—					
	Mizuho Bank, Ltd.		271,000	—					
	The Chiba Bank, Ltd.		250,000	—					
	The Minato Bank, Ltd.		125,000	—					
	Sumitomo Mitsui Banking Corporation	January 31, 2022	882,500	882,500	0.755	January 31, 2026	Bullet repayment	*4	Unsecured/ Unguaranteed
	The Bank of Fukuoka, Ltd.		540,000	540,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	AEON Bank, Ltd.		500,000	500,000					
	MUFG Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.		177,000	177,000					
	The Minato Bank, Ltd.		125,000	125,000					
	Sumitomo Mitsui Banking Corporation	January 31, 2022	882,500	882,500	0.855	January 31, 2027	Bullet repayment	*4	Unsecured/ Unguaranteed
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	AEON Bank, Ltd.		500,000	500,000					
	MUFG Bank, Ltd.		500,000	500,000					
	The Senshu Ikeda Bank, Ltd.		250,000	250,000					
	Mizuho Bank, Ltd.		217,000	217,000					
	Mizuho Bank, Ltd.	January 31, 2022	1,000,000	1,000,000	0.905	January 31, 2028	Bullet repayment	*4	Unsecured/ Unguaranteed
	The Yamaguchi Bank, Ltd.		500,000	500,000					
	AEON Bank, Ltd.	January 31, 2023	1,000,000	1,000,000	0.805	January 31, 2026	Bullet repayment	*4	Unsecured/ Unguaranteed
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	Resona Bank, Limited		750,000	750,000					
	The Bank of Fukuoka, Ltd.		715,000	715,000					
	Sumitomo Mitsui Banking Corporation		441,250	441,250					
	Mizuho Bank, Ltd.		416,250	416,250					
	Sumitomo Mitsui Trust Bank, Limited		250,000	250,000					
	The Bank of Fukuoka, Ltd.	January 31, 2023	715,000	715,000	0.855	January 31, 2027	Bullet repayment	*4	Unsecured/ Unguaranteed
	Sumitomo Mitsui Banking Corporation		441,250	441,250					
	Mizuho Bank, Ltd.		416,250	416,250					
	Sumitomo Mitsui Trust Bank, Limited		250,000	250,000					

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, 2023	882,500	882,500	0.955	January 31, 2028	Bullet repayment	*4	Unsecured/ Unguaranteed
	Mizuho Bank, Ltd.		832,500	832,500					
	The Minato Bank, Ltd.		750,000	750,000					
	Sumitomo Mitsui Trust Bank, Limited		500,000	500,000					
	The Yamaguchi Bank, Ltd.		250,000	250,000					
	The Senshu Ikeda Bank, Ltd.		250,000	250,000					
	Mizuho Bank, Ltd.	January 31, 2024	393,700	393,700	0.605	July 31, 2025	Bullet repayment	*4	Unsecured/ Unguaranteed
	Resona Bank, Limited		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
	Sumitomo Mitsui Trust Bank, Limited		98,000	98,000					
	The Aichi Bank, Ltd.	January 31, 2024	600,000	600,000	0.655	July 31, 2026	Bullet repayment	*4	Unsecured/ Unguaranteed
	The Hyakugo Bank, Ltd.		500,000	500,000					
	Mizuho Bank, Ltd.		393,700	393,700					
	The Bank of Fukuoka, Ltd.		250,000	250,000					
	Resona Bank, Limited		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
	Sumitomo Mitsui Trust Bank, Limited	98,000	98,000						
	Mizuho Bank, Ltd.	January 31, 2024	422,600	422,600	1.166	January 31, 2029	Bullet repayment	*4	Unsecured/ Unguaranteed
	AEON Bank, Ltd.		400,000	400,000					
	The Minato Bank, Ltd.		300,000	300,000					
	The Bank of Fukuoka, Ltd.		250,000	250,000					
	The Senshu Ikeda Bank, Ltd.		200,000	200,000					
	Sumitomo Mitsui Trust Bank, Limited		104,000	104,000					
	Resona Bank, Limited		100,000	100,000					
	Mizuho Trust & Banking Co., Ltd.		100,000	100,000					
	The Bank of Fukuoka, Ltd.	January 31, 2025	—	990,000	1.580	January 31, 2030	Bullet repayment	*4	Unsecured/ Unguaranteed
	Resona Bank, Limited		—	750,000					
	The Chiba Bank, Ltd.		—	250,000					
	Mizuho Bank, Ltd.		—	171,000					
	The Minato Bank, Ltd.		—	125,000					
	SBI Shinsei Bank, Ltd.		—	100,000					
	Total of Long-term borrowings			33,091,000	33,091,000				
Total borrowings			33,091,000	33,091,000					

*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. For borrowings with interest rate swap transactions which were entered into for the purpose of avoiding interest rate fluctuation risk, the fixed interest rate that considers the impact of the interest rate swap is shown.

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

*4 The funds have been used to refinance the long-term borrowings.

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

Not applicable.

2. Transactions of Other Assets

Not applicable.

3. Review on Value of Specified Assets Properties

(1) Real estate

Not applicable.

(2) Other

ESCON REIT engages Tokyo Kyodo Accounting Office Co., Ltd (hereinafter, “Tokyo Kyodo Accounting Office”), a third party to perform specific procedures on certain assets priced in accordance with Article 201, Paragraph 2 of the Investment Trust Act. An interest rate swap transaction during the 16th fiscal period was subject to the engagement, and the Company received an Agreed Upon Report on Procedure Implementation from Tokyo Kyodo Accounting Office. Tokyo Kyodo Accounting Office was engaged to investigate the name of the counterparty, the swap name, the executed trade details or swap execution details, the type of financial product or index, the transaction period, and other details related to the interest rate swap transaction.

This engagement is not part of the financial statement audit and does not provide any assurance regarding the appropriateness of pricing of the transaction or internal control systems.

4. Transactions with Interested Parties

(1) Sales transactions with interested parties

Not applicable

(2) Fees and expenses

Classification	Total amount of fees (A) (thousand yen)	Breakdown of transactions with interested parties		Percentage of total amount paid (B/A) (%)
		Payment recipient	Amount paid (B) (thousand yen)	
Electricity charges	309,949	Chubu Electric Power Miraiz Co., Inc.	170,247	54.9
		CD Energy Direct Co., Ltd.	78,228	25.2
Administrative expenses	277,880	ES-CON PROPERTY Ltd. *2	182,343	65.6

*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 In addition to the amount described above, 4,646 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

Although the Asset Manager has operations to perform transactions classified as Building Lots and Buildings Transaction Business as of January 31, 2025, the Asset Manager was not involved in any applicable transactions. In addition, the Asset Manager had no transactions classified as Type I Financial Instruments Business, Type II Financial Instruments Business and Specified Joint Real Estate Ventures.

Accounting Status

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

Please refer to “II Balance Sheets,” “III Statements of Income and Retained Earnings,” “IV Statements of Unitholders' Equity,” “V Statements of Cash Dividend Distributions,” “VI Statements of Cash Flows” and “VII Notes.”

Information being reported in the previous fiscal period on the Balance Sheets, Statements of Income and Retained Earnings, Statements of Unitholders' Equity, Notes to Financial Statements and Statements of Cash Distributions is for only information purposes and is not subject to an audit by the Independent Auditor in the current fiscal period pursuant to the provisions of Article 130 of the Act on Investment Trusts and Investment Corporations.

In addition, information regarding the current fiscal period on Statements of Cash Flows is for only information purposes and is not subject to an audit by the Independent Auditor pursuant to the provisions of Article 130 of the Act on Investment Trusts and Investment Corporations.

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 REIT

Not applicable.

Others

1. Notices

(1) General Meeting of Unitholders

Not applicable.

(2) Board of Directors of Investment Corporation

The following is a summary of the major agreements and amendments approved by Board of Directors of ESCON REIT during the current fiscal period.

Date of approval	Item	Description
September 13, 2024	Conclusion of memorandum of understanding regarding asset management fees	ESCON REIT and the Asset Manager agreed on the rate of management fees stipulated in the asset management agreement.

(3) Other information deemed to be important

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, 2024	Current fiscal period As of January 31, 2025
Assets		
Current assets		
Cash and deposits	2,412,756	2,727,886
Cash and deposits in trust	3,466,739	3,830,889
Operating accounts receivable	105,304	67,147
Prepaid expenses	85,872	82,564
Consumption taxes refund receivable	170,625	—
Other	26,139	—
Total current assets	6,267,438	6,708,488
Non-current assets		
Property, plant and equipment		
Buildings in trust	14,154,848	14,335,854
Accumulated depreciation	(1,282,888)	(1,482,949)
Buildings in trust, net	12,871,959	12,852,904
Structures in trust	140,530	140,530
Accumulated depreciation	(38,869)	(42,611)
Structures in trust, net	101,660	97,918
Tools, furniture and fixtures in trust	62,226	63,367
Accumulated depreciation	(26,618)	(32,616)
Tools, furniture and fixtures in trust, net	35,608	30,751
Land in trust	57,385,910	57,385,910
Construction in progress in trust	5,000	10,485
Total property, plant and equipment	70,400,138	70,377,970
Intangible assets		
Trademarks	394	341
Total intangible assets	394	341
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	92,057	76,943
Deferred tax assets	18	7
Total investments and other assets	102,075	86,951
Total noncurrent assets	70,502,609	70,465,262
Total assets	76,770,047	77,173,751

(Unit: thousand yen)

	Previous fiscal period (reference) As of July 31, 2024	Current fiscal period As of January 31, 2025
Liabilities		
Current liabilities		
Operating accounts payable	146,747	262,536
Current portion of long-term borrowings	5,964,700	11,375,700
Accounts payable - other	37,760	64,703
Accrued expenses	164,784	168,738
Income taxes payable	990	684
Accrued consumption taxes	—	99,066
Advances received	343,186	409,120
Deposits received	35,154	2,755
Total current liabilities	6,693,322	12,383,305
Non-current liabilities		
Long-term borrowings	27,126,300	21,715,300
Tenant lease and guarantee deposits in trust	2,607,150	2,648,277
Total non-current liabilities	29,733,450	24,363,577
Total liabilities	36,426,772	36,746,882
Net assets		
Unitholders' equity		
Unitholders' capital	39,173,828	39,173,828
Surplus		
Unappropriated retained earnings (undisposed loss)	1,169,446	1,253,039
Total surplus	1,169,446	1,253,039
Total unitholders' equity	40,343,275	40,426,868
Total net assets	*1 40,343,275	40,426,868
Total liabilities and net assets	76,770,047	77,173,751

III Statements of Income and Retained Earnings

(Unit: thousand yen)

		Previous fiscal period (reference) From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Operating revenue			
Leasing business revenue	*1	2,209,054	2,408,141
Other leasing business revenue	*1	276,621	386,099
Gain on sale of real estate properties	*2	563,532	—
Total operating revenue		3,049,207	2,794,240
Operating expenses			
Expenses related to leasing business	*1	972,252	1,140,323
Loss on sale of real estate properties	*3	535,410	—
Asset management fees		137,799	141,787
Asset custodian fees		3,658	3,706
Administrative service fees		12,573	11,709
Remuneration for director (and other officers)		5,400	5,400
Taxes and public dues		20,539	7,780
Other operating expenses		48,879	44,333
Total operating expenses		1,736,513	1,355,040
Operating income		1,312,693	1,439,199
Non-operating income			
Interest income		26	492
Gain on forfeiture of unclaimed dividends		522	2,129
Interest on tax refund		—	372
Total non-operating income		548	2,994
Non-operating expenses			
Interest expenses		101,609	139,474
Financing fees		36,170	49,073
Investment unit issuance expenses		5,306	—
Total non-operating expenses		143,086	188,547
Ordinary income		1,170,155	1,253,646
Income before income taxes		1,170,155	1,253,646
Income taxes-current		994	759
Income taxes-deferred		(15)	11
Total income taxes		979	770
Net income		1,169,176	1,252,875
Retained earnings bought forward		270	164
Unappropriated retained earnings (undisposed loss)		1,169,446	1,253,039

IV Statements of Unitholders' Equity

Previous fiscal period (reference) (From February 1, 2024 to July 31, 2024)

(Unit: thousand yen)

(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	38,107,208	1,136,067	1,136,067	39,243,276	39,243,276
Changes of items during the period					
Issuance of new investment units	1,066,620	—	—	1,066,620	1,066,620
Dividends from surplus	—	(1,135,797)	(1,135,797)	(1,135,797)	(1,135,797)
Net income	—	1,169,176	1,169,176	1,169,176	1,169,176
Total changes of items during the period	1,066,620	33,379	33,379	1,099,999	1,099,999
Balance at the end of the period	*1 39,173,828	1,169,446	1,169,446	40,343,275	40,343,275

Current fiscal period (From August 1, 2024 to January 31, 2025)

(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	39,173,828	1,169,446	1,169,446	40,343,275	40,343,275
Changes of items during the period					
Dividends from surplus	—	(1,169,282)	(1,169,282)	(1,169,282)	(1,169,282)
Net income	—	1,252,875	1,252,875	1,252,875	1,252,875
Total changes of items during the period	—	83,593	83,593	83,593	83,593
Balance at the end of the period	*1 39,173,828	1,253,039	1,253,039	40,426,868	40,426,868

V Statements of Cash Dividend Distributions

(Unit: yen)

	Previous fiscal period (reference) From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
I. Unappropriated retained earnings	1,169,446,652	1,253,039,792
II. Distributions	1,169,282,414	1,252,957,158
[Distributions per unit]	[3,242]	[3,474]
III. Retained earnings carried forward	164,238	82,634
Method of calculating the amount of distributions	<p>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 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 1,169,282,414 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>Furthermore, ESCON REIT will not distribute cash in excess of earnings as provided in Article 36, Paragraph 2 of the Articles of Incorporation.</p>	<p>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 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 1,252,957,158 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>Furthermore, ESCON REIT will not distribute cash in excess of earnings as provided in Article 36, Paragraph 2 of the Articles of Incorporation.</p>

VI Statements of Cash Flows

(Unit: thousand yen)

	Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Cash Flows from Operating Activities		
Income before income taxes	1,170,155	1,253,646
Depreciation	201,410	209,853
Investment unit issuance expenses	5,306	—
Interest income	(26)	(492)
Interest expenses	101,609	139,474
Decrease (increase) in operating accounts receivable	(49,756)	38,157
Decrease (increase) in consumption taxes refund receivable	(170,625)	170,625
Decrease (increase) in prepaid expenses	2,872	3,307
Decrease (increase) in long-term prepaid expenses	42,592	15,113
Increase (decrease) in operating accounts payable	45,316	115,789
Increase (decrease) in accounts payable - other	(36,404)	29,691
Increase (decrease) in accrued expenses	(592)	3,578
Increase (decrease) in accrued consumption taxes	(27,080)	99,066
Increase (decrease) in advances received	12,146	65,934
Decrease in property, plant and equipment in trust due to sale	8,224,272	—
Others, net	8,415	(6,259)
Subtotal	9,529,610	2,137,485
Interest received	26	492
Interest paid	(101,372)	(139,097)
Income taxes paid	(680)	(1,065)
Net cash provided by operating activities	9,427,583	1,997,814
Cash Flows from Investing Activities		
Purchase of property, plant and equipment in trust	(9,354,715)	(187,630)
Proceeds from tenant lease and guarantee deposits in trust	400,363	70,403
Refund of tenant lease and guarantee deposits in trust	(290,342)	(29,276)
Net cash used in investing activities	(9,244,695)	(146,503)
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	—	2,386,000
Repayments of long-term borrowings	—	(2,386,000)
Proceeds from issuance of investment units	1,061,313	—
Distributions paid	(1,135,197)	(1,172,030)
Net cash provided by (used in) financing activities	(73,884)	(1,172,030)
Net increase (decrease) in cash and cash equivalents	109,004	679,280
Cash and cash equivalents at the beginning of period	5,770,490	5,879,495
Cash and cash equivalents at the end of period	*1 5,879,495	6,558,775

VII Notes

[Basis of Presenting Financial Statements]

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Investment Trusts Act, the Financial Instruments and Exchange Act of Japan and other related accounting regulations, and in conformity with accounting principles generally accepted in Japan (hereinafter, "Japanese GAAP"), which are different in certain aspects as to the application and disclosure requirements from International Financial Reporting Standards or accounting principles generally accepted in the United States of America.

The accompanying financial statements are the translation of the financial statements presented in the securities report of ESCON REIT submitted to the Kanto local Finance Bureau, which have been prepared in compliance with Japanese GAAP, translated into English.

Amounts less than one thousand yen have been omitted. As a result, the totals presented in the accompanying financial statements in yen do not necessarily agree with the sums of the individual amounts. ESCON REIT does not have subsidiaries and thus does not prepare consolidated financial statements.

The accounting periods of ESCON REIT are six-month periods ending at the end of January and the end of July of each year.

[Notes on Going Concern Assumptions]

Not applicable.

[Notes on Matters Concerning Significant Accounting Policies]

1. Method of depreciation and amortization of non-current assets	<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.</p> <ul style="list-style-type: none"> • Buildings 2 to 64 years • Structures 9 to 63 years • Tools, furniture and fixtures 2 to 10 years <p>(2) Intangible assets The straight-line method is used.</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>
2. Accounting for deferred assets	<p>Investment unit issuance expenses Fully expensed as incurred.</p>
3. Accounting standards for revenue and expenses	<p>(1) Standards for revenue recognition The following is a description of the ESCON REIT's main performance obligations with respect to revenue 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 Sales of real estate revenue are recognized when the customer (i.e., the buyer) obtains control of the real estate as a result of fulfilling the delivery obligations stipulated in the sales contract for the real estate.</p> <p>ii. Utilities charges received Utilities charges received are recorded as revenue 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 For 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 and other expenses 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. The amount equivalent to property taxes and other expenses included in the cost of acquisition of real estate and other assets in the previous fiscal period was 24,045 thousand yen. No amount equivalent to property taxes and other expenses, are included in the acquisition costs for real estate, etc. in the current fiscal period.</p>

4. Hedge accounting methods	<p>(1) Hedge accounting methods Special accounting treatment has been adopted since the instrument meets the requirements for special treatment for interest rate swaps.</p> <p>(2) Hedge instruments and hedge items Hedge instrument: interest rate swaps Hedge item: interest on borrowings</p> <p>(3) Hedge policy ESCON REIT conducts derivative transactions for the purpose of hedging risks as defined in the ESCON REIT agreement based on the derivative management regulations.</p> <p>(4) Method for evaluating hedge efficacy The evaluation of effectiveness is omitted since the interest rate swap meets the requirements for special treatment.</p>
5. Scope of funds in the statements of cash flows	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.
6. 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 sheets and Statement of Income and Retained Earnings. Included in the trust assets accounted for under the respective account items, the following items of significance are separately classified on the balance sheets.</p> <p style="padding-left: 40px;">i. Cash in trust and deposits in trust</p> <p style="padding-left: 40px;">ii. Buildings in trust and structures in trust Tools, furniture and fixtures in trust and land in trust Construction in progress in trust</p> <p style="padding-left: 40px;">iii. Leasehold and guarantee deposits received in trust</p> <p>(2) Accounting for non-deductible consumption taxes Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p>

[Note to Unapplied Accounting Standards]

Accounting standard for leases etc.

- “Accounting Standard for Leases” (Accounting Standards Board of Japan (hereinafter “ASBJ”) Statement No.34 issued on September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No.33 issued on September 13, 2024)

1. Overview

As part of the efforts to ensure consistency between Japanese GAAP and international accounting standards, the ASBJ reviewed the Accounting Standard for Leases to recognize assets and liabilities for all leases held by a lessee, with international accounting standards taken into consideration. Accordingly, the ASBJ issued the Accounting Standard for Leases etc. that adopts only the key provisions of IFRS 16 that is based on the single accounting model. The revision aims to be simple and highly convenient, and to make unnecessary adjustments in principle to the non-consolidated financial statements that apply IFRS 16 Accounting Standard for Leases, etc.

Regarding the method for allocating the lease expenses in the lessee’s accounting treatment, using the same approach as IFRS 16, a single accounting model is applied for recording the depreciation associated with the right-of-use-assets and the amount equivalent to the interest on the lease liabilities for all leases regardless of whether the lease is a finance lease or an operating lease.

2. Scheduled date of application

From the beginning of the fiscal period ending January 31, 2028.

3. Impact of applying the accounting standards

The impact on applying the “Accounting Standard for Leases” etc. is currently under evaluation.

[Note to Balance Sheets]

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2024	Current fiscal period As of January 31, 2025
*1. 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

	Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
*1. Description of income from real estate leasing operations		
A. Real estate leasing business revenue		
Leasing business revenue		
Lease revenue	1,078,846	1,298,136
Land lease revenue received	805,263	727,942
Common service fees	128,464	158,029
Other lease revenue	196,479	224,033
Total	2,209,054	2,408,141
Other leasing business revenue		
Utilities charges received	257,136	356,777
Other revenue	19,484	29,321
Total	276,621	386,099
Total real estate leasing business revenue	2,485,675	2,794,240
B. Real estate leasing business expenses		
Expenses related to leasing business		
Administrative expenses	221,747	277,880
Trust fees	9,167	10,164
Utilities charges	261,186	357,317
Non-life insurance premiums	13,307	9,870
Repair expenses	44,375	63,493
Taxes and public dues	209,851	199,096
Depreciation	201,191	209,799
Other leasing business expenses	11,425	12,701
Total expenses related to leasing business	972,252	1,140,323
C. Income from real estate leasing business (A - B)	1,513,422	1,653,917
*2 Detail of gain on sales of real estate properties		
TSUTAYA Sakai-minami (Leasehold land)		
Proceeds from sales of real estate property	974,780	—
Cost of real estate property sold	955,939	—
Other sales expenses	5,332	—
Gain on sales of real estate property	13,507	—
LIFE Daisen (Leasehold land)		
Proceeds from sales of real estate property	3,325,220	—
Cost of real estate property sold	2,758,189	—
Other sales expenses	17,006	—
Gain on sales of real estate property	550,024	—
*3 Detail of loss on sales of real estate property		
Yoshizuya Y Store Nishiharu		
Proceeds from sales of real estate property	4,000,000	—
Cost of real estate property sold	4,510,143	—
Other sales expenses	25,266	—
Loss on sales of real estate property	535,410	—

[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, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	360,667 units	360,667 units

[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 sheets

(Unit: thousand yen)

	Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Cash and deposits	2,412,756	2,727,886
Cash and deposits in trust	3,466,739	3,830,889
Cash and cash equivalents	5,879,495	6,558,775

[Notes to Lease Transactions]

Operating lease transactions (Lessor)

Future minimum lease revenue under existing non-cancelable lease agreements

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2024	Current fiscal period As of January 31, 2025
Within a year	2,762,803	3,150,410
Over a year	21,057,961	20,189,526
Total	23,820,765	23,339,936

[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, but not engage in speculative 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.

ESCON REIT conducts derivative transactions (interest rate swaps) to hedge the interest rate fluctuation risk of borrowings, to effectively fix interest paid on variable interest rate financing. For hedge accounting methods, hedge instruments and hedge targets, hedge policy, and the method of evaluating hedge efficacy, see above “Notes on Matters Concerning Significant Accounting Policies 4. Hedge accounting methods” above.

For derivative transactions, risk management is conducted based on the Derivative Management Regulations stipulated by ESCON REIT.

(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. In “Notes on Derivative Transactions” below, contract amounts for derivative transactions do not in and of themselves indicate market risk associated with derivative transactions.

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

Balance sheet amounts, fair value and their differences as of July 31, 2024 are as follows: Notes to “Cash and deposits” and “Cash and deposits in trust” 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	5,964,700	5,964,700	—
(2) Long-term borrowings	27,126,300	27,156,060	29,760
Total liabilities	33,091,000	33,120,760	29,760
(3) Derivative transactions	—	—	—

Balance sheet amounts, fair value and their differences as of January 31, 2025 are as follows: Notes to “Cash and deposits” and “Cash and deposits in trust” 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” has 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	11,375,700	11,375,700	—
(2) Long-term borrowings	21,715,300	21,755,207	39,907
Total liabilities	33,091,000	33,130,907	39,907
(3) Derivative transactions	—	—	—

*1. The method used in calculating the fair value of the financial instruments and derivative transactions

(1) Current portion of long-term borrowings, (2) Long-term borrowings

The borrowings have floating 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. For long-term borrowings with floating interest rates that meet the conditions for special treatment of interest rate swaps, the sum of the principal and interest accounted for as a single unit with the interest rate swap is discounted by applying a reasonably estimated interest rate from borrowings with similar terms.

(3) Derivative transactions

For details on derivative transactions, refer to “Notes on Derivative Transactions.”

*2. Scheduled redemption of loans after the closing date (July 31, 2024)

(Unit: thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	5,964,700	12,725,700	7,559,000	4,965,000	1,876,600	—
Total	5,964,700	12,725,700	7,559,000	4,965,000	1,876,600	—

Scheduled redemption of loans after the closing date (January 31, 2025)

(Unit: thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	11,375,700	9,600,700	7,852,000	1,876,600	2,386,000	—
Total	11,375,700	9,600,700	7,852,000	1,876,600	2,386,000	—

[Notes to Securities]

Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Not applicable.	Not applicable.

[Notes on Derivative Transactions]

1. Transactions for which hedge accounting has not been applied

No applicable transactions for the previous fiscal period (July 31, 2024) and the current fiscal period (January 31, 2025).

2. Transactions for which hedge accounting has been applied

The previous fiscal period (July 31, 2024)

(Unit: thousand yen)

Hedge accounting methods	Type of derivative transaction	Main hedged item	Contract amount*1		Fair value	Fair value calculation method
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap receive floating/ pay fixed	Long-term borrowings	1,876,600	1,876,600	*2	—
Total			1,876,600	1,876,600		

*1. Contract amounts for interest rate swaps transactions are based on notional principal.

*2. Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term borrowings that are the hedged items and the fair value is included in the fair value of those long-term borrowings.

The current fiscal period (January 31, 2025)

(Unit: thousand yen)

Hedge accounting methods	Type of derivative transaction	Main hedged item	Contract amount*1		Fair value	Fair Value calculation method
				Due after 1 year		
Special treatment for interest rate swaps	Interest rate swap receive floating/ pay fixed	Long-term borrowings	4,262,600	4,262,600	*2	—
Total			4,262,600	4,262,600		

*1. Contract amounts for interest rate swaps transactions are based on notional principal.

*2. Derivative transactions that are subject to special treatment for interest rate swaps are accounted for together with long-term borrowings that are the hedged items and the fair value is included in the fair value of those long-term borrowings.

[Notes to Retirement benefits]

Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
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, 2024	Current fiscal period As of January 31, 2025
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	18	7
Total deferred tax assets	18	7
(Net deferred tax assets)	18	7

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, 2024	Current fiscal period As of January 31, 2025
Effective statutory tax rate	31.46	31.46
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.44)	(31.44)
Others	0.06	0.04
Effective tax rate	0.08	0.06

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

Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Not applicable.	Not applicable.

[Notes to Transactions with Related Parties]

1. Parent company and major institutional investors

Previous fiscal period (From February 1, 2024 to July 31, 2024)

Not applicable.

Current fiscal period (From August 1, 2024 to January 31, 2025)

Not applicable.

2. Affiliated companies

Previous fiscal period (From February 1, 2024 to July 31, 2024)

Not applicable.

Current fiscal period (From August 1, 2024 to January 31, 2025)

Not applicable.

3. Sibling companies

Previous fiscal period (From February 1, 2024 to July 31, 2024)

Not applicable.

Current fiscal period (From August 1, 2024 to January 31, 2025)

Not applicable.

4. Directors and major individual unitholders

Previous fiscal period (From February 1, 2024 to July 31, 2024)

Not applicable.

Current fiscal period (From August 1, 2024 to January 31, 2025)

Not applicable.

[Notes to Asset Retirement Obligations]

Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
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, 2024 to July 31, 2024	Current fiscal period As of August 1, 2024 to January 31, 2025
Carrying value*1	Balance at the beginning of the period	69,470,886	70,400,138
	Changes during the period *2	929,252	(22,168)
	Balance at the end of the period	70,400,138	70,377,970
Fair value at the end of the period *3		78,250,500	79,691,800

*1. The carrying value is calculated by deducting accumulated depreciation from the acquisition cost including incidental costs associated with the acquisition.

*2. Of the changes during the period, the increase in the previous fiscal period was mainly due to the acquisition of four properties (totaling 9,288,578 thousand yen), including tonarie Yamatotakada (50% quasi co-ownership), while the decrease was mainly due to the transfer of three properties (totaling 8,224,272 thousand yen), including Yoshizuya Y Store Nishiharu, and depreciation (201,191 thousand yen). The increase in the current fiscal period was mainly due to capital expenditures for some properties, including tonarie Minami-senri (187,630 thousand yen in total), while the decrease was mainly due to depreciation (209,799 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

Previous fiscal period (From February 1, 2024 to July 31, 2024)

(Unit: thousand yen)

	Revenue from contracts with customers*1	Sales to external customers*3
Income from sales of real estate, etc.	8,300,000	563,532
Utilities charges received*2	257,136	257,136
Other	—	2,228,538
Total	8,557,136	3,049,207

*1. Leasing business income subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” is not included in “Revenue from contracts with customers,” because the accounting standard for revenue recognition does not apply to such income. Revenue from contracts with customers mainly includes revenue from sales of real estate and utility charges.

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

*3. For the sales of real estate and other assets, in accordance with Article 48, Paragraph 2 of the Regulation on Accountings of Investment Corporations (Cabinet Office Order No. 47 of 2006), gain or loss on sales of real estate properties shall be recorded in the Statements of Income and Retained Earnings, is represented as the amount of revenue from the sales of real estate properties less the cost of real estate property sold and other sales expenses related to the sales of real estate properties. As ESCON REIT records gain on sales of real estate properties as operating revenue and loss on sales of real estate properties as operating expenses, and the table above only shows the amount of gain on sales of real estate properties.

Current fiscal period (From August 1, 2024 to January 31, 2025)

(Unit: thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate, etc.	—	—
Utilities charges received*2	356,777	356,777
Other	—	2,437,462
Total	356,777	2,794,240

- *1. Leasing business income subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” is not included in “Revenue from contracts with customers,” because the accounting standard for revenue recognition does not apply to such income. Revenue from contracts with customers mainly includes revenue from sales of real estate and utility charges.
- *2. Utilities charges received are recorded as revenue 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

Previous fiscal period (From February 1, 2024 to July 31, 2024)

As described in the “Notes on Matters Concerning Significant Accounting Policies.”

Current fiscal period (From August 1, 2024 to January 31, 2025)

As described in the “Notes on Matters Concerning 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)

	Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Receivables from contracts with a customer (at the beginning of the period)	43,596	63,561
Receivables from contracts with a customer (at the end of the period)	63,561	54,735
Contract assets (at the beginning of period)	—	—
Contract assets (at the end of period)	—	—
Contract liabilities (at the beginning of period)	—	—
Contract liabilities (at the end of period)	—	—

(2) Transaction prices allocated to remaining performance obligations

Not applicable.

For utility charges income, ESCON REIT recognizes revenue for the amount in accordance with paragraph 19 of the Guidance on Accounting Standard for Revenue Recognition since ESCON REIT is entitled to receive an amount from customers (lessees) which directly corresponds to the portion completed by the end of the period. Accordingly, 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 since ESCON REIT operates in a single segment of the real estate leasing business.

(Relevant information)

Previous fiscal period (From February 1, 2024 to July 31, 2024)

1. Information by product and service

This information is omitted since operating revenue from external customers in a single product/service category exceeds 90% of operating revenue in the statements of income and retained earnings.

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	Operating revenue	Related Segment
ES-CON JAPAN Ltd.*	2,030,878	Real estate leasing business

* ESCON REIT leases Asumigaoka Brand-New Mall, Nishi-Shiroi Ekimae Plaza, tonarie Minami-senri, tonarie Seiwadai, tonarie Yamatotakada, tonarie Toga-Mikita and SUROY MALL Nagamine to ES-CON JAPAN under pass-through master lease agreement, and ES-CON JAPAN subleases these to sublessees. In addition, since ESCON REIT records gains on sales of real estate properties as operating revenue and losses on sales of real estate properties as operating expenses, the amount of operating revenue in the above table includes 563,532 thousand yen of gains on sales of real estate properties to the company and excludes 535,410 thousand yen of losses on sales of real estate properties to the company. The amount of gain on sales of real estate properties and loss on sales of real estate properties are stated in "Notes to Statements of Income and Retained Earnings."

Current fiscal period (From August 1, 2024 to January 31, 2025)

1. Information by product and service

This information is omitted since operating revenue from external customers in a single product/service category exceeds 90% of operating revenue in the statements of income and retained earnings.

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	Operating revenue	Related Segment
ES-CON JAPAN Ltd.*	1,562,072	Real estate leasing business

* ESCON REIT leases Asumigaoka Brand-New Mall, Nishi-Shiroi Ekimae Plaza, tonarie Minami-senri, tonarie Seiwadai, tonarie Yamatotakada, tonarie Toga-Mikita and SUROY MALL Nagamine to ES-CON JAPAN under pass-through master lease agreement, and ES-CON JAPAN subleases these to sublessees. As for Nishi-Shiroi Ekimae Plaza and SUROY MALL Nagamine, the master lessee was changed to ESCON REIT as of September 1, 2024.

[Notes to Per Unit Information]

	Previous fiscal period From February 1, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Net assets per unit	111,857 yen	112,089 yen
Net income per unit	3,299 yen	3,474 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 and rounded to the nearest whole number.

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, 2024 to July 31, 2024	Current fiscal period From August 1, 2024 to January 31, 2025
Net income	(thousand yen)	1,169,176	1,252,875
Amount not attributable to common unitholders	(thousand yen)	—	—
Net income for common investment units	(thousand yen)	1,169,176	1,252,875
Average number of investment units during the period	(units)	354,404	360,667

[Notes to Significant Subsequent Events]

1. Acquisition of an asset

The Asset Manager, to which ESCON REIT entrusts the management of its assets, decided to acquire the following asset on March 17, 2025, and ESCON REIT entered into a sales agreement of trust beneficial interest as the same date and acquired the assets on April 1, 2025.

ES-CON JAPAN, the seller, is considered an interested party under the Investment Trust Act. Accordingly, the Asset Manager has obtained the consent of ESCON REIT based on the approval by ESCON REIT's Board of Directors, which met on March 17, 2025, in compliance with the Investment Trust Act.

In addition, since ES-CON JAPAN is also considered an interested party under the Asset Manager's internal regulations, namely, the Interested Party Transaction Rules, the Asset Manager has followed the decision-making procedures stipulated in them in acquiring the asset from ES-CON JAPAN.

Property name	Kohnan tonarie Yamatotakada (leasehold land)
Type of specified asset	Real estate trust beneficial interest
Property type	Commercial facility
Location	Yamatotakada City, Nara
Acquisition date	April 1, 2025
Seller	ES-CON JAPAN Ltd.
Acquisition price*	1,145 million yen
Appraisal value	1,170 million acquisition yen (Date of value: February 28, 2025)

* "Acquisition price" states the sales price (rounded off to the nearest million yen) of the real estate trust beneficial interest stated in the relevant sales agreement of the asset, and excluding consumption tax, local consumption tax and other acquisition-related costs.

2. Borrowing

The Asset Manager decided on entering in the following borrowing as of March 17, 2025, for the purpose of using the borrowed fund to finance the asset acquisition mentioned in "1. Acquisition of an asset" and related costs. ESCON REIT concluded an individual loan agreement as of the same date and the borrowing was made on April 1, 2025.

Type	Lender	Borrowing amount	Interest rate	Date of borrowing	Date of repayment	Repayment method	Summary
Short-term borrowing	Mizuho Bank, Ltd.	1,160 million yen	Base rate (one-month Japanese yen Tokyo Interbank Offered Rate (Japanese Bankers Association (JBA))) +0.20%	April 1, 2025	January 31, 2026	Bullet repayment	Unsecured/ Unguaranteed

Independent Auditor's Report

To the Board of Directors
ESCON JAPAN REIT Investment Corporation

<Audit of Financial Statements>

Opinion

We have audited the accompanying financial statements of ESCON JAPAN REIT Investment Corporation (the Company), which comprise of the balance sheet as of January 31, 2025, and the statements of income and retained earnings, unitholders' equity, cash dividend distributions, and 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, 2025, and its financial performance and 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 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 the audit of the financial statements in Japan, and we have fulfilled our 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.

Other Information

The other information comprises information included in the Semiannual Report and excludes the financial statements and our auditor's report thereon. Management is responsible for the preparation and presentation of the other information. The Supervisory Directors are responsible for overseeing the Executive Director's performance of their duties with regard to the design, implementation and monitoring of the reporting process in preparing the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, based on our audit consider whether the other information is materially inconsistent with the financial statements, or otherwise appears to be materially misstated.

If, based on our procedures, we conclude that there is a material misstatement in the other information, we are required to report any findings.

We have no findings to report on the other information.

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 matters related to going concern, as required by accounting principles generally accepted in Japan.

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 objective is 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, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

<Fee-related Information>

Fees paid or payable to our firm and to other BDO member firms for audit and non-audit services provided to the Company are disclosed in "3. Matters Concerning Directors and Audit Firm" included in "Overview of ESCON REIT" of the Semi-Annual Report.

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

Our firm and the 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 28, 2025

西川 賢治

Kenji Nishikawa
Designated Engagement Partner
Certified Public Accountant

古嶋 雅弘

Masahiro Furushima
Designated Engagement Partner
Certified Public Accountant