

# 11th Fiscal Period Semi-Annual Report

From: February 1, 2022  
To: July 31, 2022

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.

With ES-CON JAPAN Ltd. (hereinafter “ESCON JAPAN”), a "life developer" that builds people's lives, bringing ideals into reality, as our sponsor, ESCON JAPAN REIT Investment Corporation (hereinafter "ESCON REIT") was listed on the Tokyo Stock Exchange on February 13, 2019, as an REIT that primarily invests in lifestyle-focused commercial facilities and the leasehold land of those facilities, and completed its' first public offering on February 3, 2020, and its' second public offering on August 2, 2021. Thanks to the understanding and support of all our unitholders, ESCON REIT has expanded its' asset scale.

Unfortunately, ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the "Asset Manager"), which ESCON REIT entrusts the management of its assets, received Business Suspension Order and Business Improvement Order on July 15, 2022. Subsequently, the Asset Manager submitted a report summarizing the status of our business improvement measures (hereinafter, the "Business Improvement Report") to the Commissioner of the Financial Services Agency on August 15, 2022 and the Business Improvement Report was accepted.

We deeply apologize to our unitholders and all other concerned parties for the great concern and inconvenience we have caused.

In consultation with the Asset Manager's parent company, ES-CON JAPAN, and its ultimate parent company, Chubu Electric Power Co., Inc. (hereinafter "Chubu Electric Power"), the Asset Manager will continue to further strengthen its legal compliance and internal control systems, as described in the Business Improvement Report, and endeavor to realize fair and appropriate business operations in order to regain the trust of all parties concerned. Therefore, we would appreciate the continued support and encouragement from our unitholders and other stakeholders.

ESCON JAPAN REIT Investment Corporation    Executive Director  
Atsumu Sasaki

# I Asset Management Report

## ■ Overview of Asset Management

### 1. Trends in ESCON REIT's Management Status

Fiscal period		7th fiscal period From February 1, 2020 to July 31, 2020	8th fiscal period From August 1, 2020 to January 31, 2021	9th fiscal period From February 1, 2021 to July 31, 2021	10th fiscal period From August 1, 2021 to January 31, 2022	11th fiscal period From February 1, 2022 to July 31, 2022
Operating revenues	Thousand yen	1,902,342	1,922,505	1,910,829	2,476,628	2,706,455
which consists of real estate lease revenues	Thousand yen	1,902,342	1,922,505	1,910,829	2,476,628	2,706,455
Operating expenses	Thousand yen	791,565	810,973	816,259	970,061	1,324,211
which consists of real estate lease expenses	Thousand yen	656,673	653,550	655,322	794,032	1,118,503
Operating income	Thousand yen	1,110,777	1,111,531	1,094,570	1,506,567	1,382,243
Ordinary income	Thousand yen	971,159	1,019,510	1,001,852	1,265,888	1,269,199
Net income	Thousand yen	970,488	1,018,571	1,001,039	1,264,729	1,268,369
Total assets	Thousand yen	56,068,282	56,132,273	56,061,549	75,840,468	76,014,351
Period-on- period changes	%	23.3	0.1	(0.1)	35.3	0.2
Net assets	Thousand yen	29,410,260	29,458,203	29,440,790	39,371,956	39,375,708
Period-on- period changes	%	23.4	0.2	(0.1)	33.7	0.0
Interest-bearing debt	Thousand yen	24,430,000	24,430,000	24,430,000	33,445,000	33,091,000
Total amount of investment	Thousand yen	28,439,581	28,439,581	28,439,581	38,107,208	38,107,208
Total number of investment units issued and outstanding	Units	282,982	282,982	282,982	351,967	351,967
Net assets per unit*3	Yen	103,929	104,099	104,037	111,862	111,873
Net income per unit*1	Yen	3,439	3,599	3,537	3,601	3,604
Total distributions	Thousand yen	970,628	1,018,452	1,001,190	1,264,617	1,268,489
Distribution per unit	Yen	3,430	3,599	3,538	3,593	3,604
which consists of earnings distribution per unit	Yen	3,430	3,599	3,538	3,593	3,604
which consists of distribution in excess of earnings per unit	Yen	-	-	-	-	-
Ordinary income to total assets ratio*3	%	1.9	1.8	1.8	1.9	1.7
Annualized	%	3.8	3.6	3.6	3.8	3.4
Return on equity*3	%	3.6	3.5	3.4	3.7	3.2
Annualized	%	7.3	6.9	6.9	7.3	6.5
Equity ratio*3	%	52.5	52.5	52.5	51.9	51.8
Period-on- period changes		0.1	0.0	0.0	(0.6)	(0.1)
Payout ratio*3	%	100.0	100.0	100.0	100.0	100.0
[Other reference information]						
Days of Operation	Days	182	184	181	184	181
Number of investment properties at end of period	Properties	28	28	28	38	38
Depreciation	Thousand yen	124,131	125,041	126,341	174,386	175,603

Fiscal period		7th fiscal period From February 1, 2020 to July 31, 2020	8th fiscal period From August 1, 2020 to January 31, 2021	9th fiscal period From February 1, 2021 to July 31, 2021	10th fiscal period From August 1, 2021 to January 31, 2022	11th fiscal period From February 1, 2022 to July 31, 2022
Capital expenditures	Thousand yen	36,404	25,158	44,298	27,651	127,856
Lease NOI (Net Operating Income) * <sup>3</sup>	Thousand yen	1,369,800	1,393,996	1,381,849	1,856,982	1,763,555
FFO (Funds from Operations) * <sup>3</sup>	Thousand yen	1,094,619	1,143,612	1,127,381	1,439,115	1,443,972
FFO per unit* <sup>3</sup>	Yen	3,868	4,041	3,983	4,088	4,102
Loan to Value (LTV) at end of period* <sup>3</sup>	%	43.6	43.5	43.6	44.1	43.5

\*<sup>1</sup> “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.

\*<sup>2</sup> Unless otherwise stated, all figures are truncated, and percentages are rounded to the nearest first decimal place.

\*<sup>3</sup> 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 7th and 10th fiscal periods are calculated based on the following formula, as the number of investment units changed due to the capital increase during those periods. Total distributions (excluding distributions in excess of earnings) ÷ Net income × 100
Lease NOI (Net Operating Income)	Real estate lease revenues - Real estate lease expenses + Depreciation
FFO (Funds from Operations)	Net income + Depreciation - Gain/loss on sale of real estate
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 Asset Manager as the organizer, based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter the “Investment Trust Act”), and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on February 13, 2019 (securities code: 2971).

ESCON REIT will continue to pursue long-term stability and earnings growth by building a portfolio focused on investments in commercial facilities\*<sup>1</sup> and leasehold land\*<sup>2</sup> deeply rooted in local communities in the Four Major Metropolitan Areas\*<sup>3</sup> where the concentrated population is expected to last. ESCON REIT now owns 38 properties with a total acquisition price of 69,604 million yen as of the end of the current fiscal period.

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

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

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

\*<sup>2</sup> “Leasehold Land” refers to land leased by a third party on which a building is owned by the said third party. The same applies hereinafter.

\*<sup>3</sup> The “Four Major Metropolitan Areas” refers to the Tokyo Metropolitan Area, the Kinki Metropolitan Area, the Chukyo Metropolitan Area and the Fukuoka Metropolitan Area. The Tokyo Metropolitan Area refers to Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma Prefectures, the Kinki Metropolitan Area refers to Osaka, Kyoto, Hyogo, Nara and Shiga Prefectures, the Chukyo Metropolitan Area refers to Aichi, Shizuoka, Mie and Gifu Prefectures, and the Fukuoka Metropolitan Area refers to Fukuoka Prefecture.

\*<sup>4</sup> ESCON REIT’s “Vision Concept” is creating the ideal community that residents love and enjoy with pride. ESCON REIT conducts asset management while sharing this Vision Concept with ES-CON JAPAN, sponsor of ESCON REIT and a lifestyle developer engaging in the development of people’s lives. The term “Vision Concept” has been coined by combining the words “Vision”, which refers to a state in which an entity hopes to be in the future, and “Concept”, which refers to an idea or notion. This term is used in this document to signify how ESCON REIT aims to be, and the basic concept.

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

\*<sup>6</sup> As used in this document, a “general developer” means a developer conducting a wide variety of real estate development projects such as condominiums, detached residential houses, commercial facilities, hotels and logistical facilities; i.e., a developer with a comprehensive approach to all aspects of development as a business.

### (2) Operating environment and management performance

As for the Japanese economy during the current fiscal period, although real GDP growth in the April-June period of 2022 (second preliminary report) was positive at 0.9% (3.5% annualized), due to positive contributions from private consumption, private-sector business facilities and government consumption. Against a backdrop of global monetary tightening, there remains a risk of a downturn in overseas economies, which along with other factors, could put downward pressure on the Japanese economy. There are also concerns about the impact of rising prices on households and businesses and lingering supply-side constraints which make it difficult to be optimistic.

In the J-REIT market during the current fiscal period, the TSE REIT Index temporarily fell below 1,900 points due to concerns of an economic slowdown caused by rapid inflation due to soaring energy and raw material prices as a result of the situation in the Ukraine, along with a rise in the U.S. consumer price index and long-term interest rates in major countries. However, the Bank of Japan maintained its monetary easing policy at its Monetary Policy Meeting, giving the market a sense of security, and the TSE REIT Index recovered to the 2,000-point level. In commercial facilities, the situation for tenants in the apparel, restaurant, and service industries remains severe. On the other hand, tenants that handle daily necessities such as supermarkets, drug stores and DIY stores are performing relatively well.

Under such an environment, ESCON REIT continued to focus on ensuring the safety of customers and tenant employees at its retail facilities, while working to secure stable income by appropriately managing assets under management and implementing measures to increase income, such as attracting tenants to vacant properties. For example, attracting “Akachan Honpo” to tonarie Yamatotakada, increased the occupancy rate of that property from 93.3% to 100.0%, and by replacing tenants when their contracts expired. On the other hand, although the main tenant of Yoshizuya Y Store Nishiharu (formerly Pare Marche Nishiharu), whose lease contract expired in April 2022, was replaced without any downtime, the rent level was lowered. We will continue to focus on leasing the third floor of Yoshizuya Y Store Nishiharu, which is currently vacant.

As a result of the measures described above, the occupancy rate of the 38 assets under management as of the end of the current fiscal period was 99.9%.

In addition, in March 2022, ESCON REIT established an initiative (key issue) pertaining to its ESG activity policy. Recognizing that ESG initiatives will help increase unitholders’ value, ESCON REIT and the Asset Manager continues to promote efforts to

reduce the impact on the environment and revitalize local communities.

### (3) Procurement of funds

During the current fiscal period, Asset Manager made a lump-sum repayment of borrowings of 354 million yen on July 29, 2022. As a result of this repayment, the balance of interest-bearing debt as of the end of the period was 33,091 million yen, and the ratio of interest-bearing debt to total assets (hereinafter, "LTV") was 43.5%.

ESCON REIT received an issuer rating of "A-" (Stable) from Rating and Investment Information, Inc.(R&I). ESCON REIT shall aim to further improve credibility while maintaining the flexibility of fund procurement and stable financial management.

### (4) Performance and distributions

As a result of the management actions described above, ESCON REIT posted operating revenue of 2,706 million yen, operating income of 1,382 million yen, ordinary income of 1,269 million yen and net income of 1,268 million yen for the current fiscal period. For distributions, ESCON REIT has decided to distribute an amount of 1,268,489,068 yen as earnings distributions, which is almost equal to the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,604 yen.

### (5) Business Improvement Order and Business Suspension Order to the asset manager

On July 15, 2022, the Asset Manager received a Business Improvement Order based on Article 51 of the Financial Instruments and Exchange Act and a Business Suspension Order based on Article 52, Paragraph 1 of the same act from the Financial Services Agency. Subsequently, based on discussions and guidance from the supervisory authorities, the Asset Manager has worked to improve its business operations and created a report summarizing the current status of its business improvement measures (the "Business Improvement Report") which was submitted to the Financial Services Agency on August 15, 2022, and accepted.

## 3. Capital Increase

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

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

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

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

\*3 ESCON REIT split investment units at a rate of 1.05264 units for one investment unit on October 13, 2017, which is the effective date.

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

\*5 ESCON REIT issued new investment units through a public offering with the offer price per unit of 101,000 yen per unit (issue price of 97,263 yen)

for the purpose of raising funds to acquire specified assets.

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

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

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

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

#### <Changes in exchange prices for investment securities>

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

Fiscal period	7th fiscal period	8th fiscal period	9th fiscal period	10th fiscal period	11th fiscal period
End of period	July 2020	January 2021	July 2021	January 2022	July 2022
Highest (Yen)	134,100	124,000	156,500	150,500	137,500
Lowest (Yen)	70,900	97,500	120,000	134,200	112,800

#### 4. Distributions

During the current fiscal period, ESCON REIT decided to distribute a substantial amount of unappropriated retained earnings of 1,268 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 3,604 yen.

Fiscal period	7th fiscal period From February 1, 2020 to July 31, 2020	8th fiscal period From August 1, 2020 to January 31, 2021	9th fiscal period From February 1, 2021 to July 31, 2021	10th fiscal period From August 1, 2021 to January 31, 2022	11th fiscal period From February 1, 2022 to July 31, 2022
Total amount of unappropriated retained earnings (Thousand yen)	970,678	1,018,621	1,001,208	1,264,747	1,268,499
Retained earnings brought forward (Thousand yen)	50	169	18	130	10
Total cash distributions (Thousand yen)	970,628	1,018,452	1,001,190	1,264,617	1,268,489
Distribution per unit (Yen)	3,430	3,599	3,538	3,593	3,604
Consisting of total earnings distributions (Thousand yen)	970,628	1,018,452	1,001,190	1,264,617	1,268,489
Earnings distribution per unit (Yen)	3,430	3,599	3,538	3,593	3,604
Consisting of total contribution refunds (Thousand yen)	-	-	-	-	-
Contribution refund per unit (Yen)	-	-	-	-	-
Total distributions from allowance for temporary difference adjustments out of total contribution refunds (Thousand yen)	-	-	-	-	-
Distribution from allowance for temporary difference adjustments per unit out of per-unit contribution refund (Yen)	-	-	-	-	-
Total distributions from capital reduction for tax purposes out of total contribution refunds (Thousand yen)	-	-	-	-	-
Distribution from capital reduction for tax purposes per unit out of per-unit contribution refund (Yen)	-	-	-	-	-

#### 5. Future Management Policies and Issues to be Addressed

##### (1) Outlook for the overall management environment

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

Regarding the Japanese real estate investment market, the impact of COVID-19 on medium-long term market trends and tenants of commercial facilities must be closely monitored given the serious downturn in the real economy.

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

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

(2) Internal growth

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

a. Maintaining and increasing rent revenue

ESCON REIT will assess the trends and needs of tenants (factors for customer dissatisfaction and their potential needs in both hardware and software of facilities) through the periodic exchange of information with the property management company and will improve the satisfaction of tenants and build and strengthen relationships of trust with them by actively taking measures to build relations and implementing appropriate and prompt measures. In addition, we will aim to contribute to local revitalization and community formation by holding various events and social contribution activities with the participation of local residents and tenants at commercial facilities closely related to daily life and will also work to reduce costs and concern for the environment by switching to LED lighting fixtures in common areas. According to these measures, ESCON REIT will aim to secure stable revenues by maintaining and increasing rent revenue and preventing cancellations.

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

b. Streamlining of management expenses

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

(3) External growth

ESCON REIT will work to achieve steady external growth by actively using the solid sponsor pipeline based on the real estate development capabilities of ES-CON JAPAN as a sponsor and as a general developer and in collaboration with the Chubu Electric Power Group (Chubu Electric Power and its subsidiaries and affiliates) will act as a supporter. We will make maximum use of sponsor support, such as the granting of preferential negotiation rights for real estate properties owned by ES-CON Japan, redevelopment support for assets under management, and support from Chuden Real Estate, primarily in the form of warehousing operations, while thoroughly managing conflicts of interest as described in the Business Improvement Report, as we seek to expand the scale of ESCON REIT's assets and improve the quality of its portfolio.\*

\*Under the Business Suspension Order, management instructions for the acquisition of real estate (including trust beneficiary interests in real estate) are prohibited from July 15, 2022 through October 14, 2022, and we have no plans to acquire new properties during this period.

(4) Financial policy

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

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

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

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

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

(5) Compliance with laws and regulations

ESCON REIT and the Asset Manager will further strengthen their legal compliance and internal control systems, including conflict of interest management, as described in the Business Improvement Report, and strive to achieve fair and appropriate business operations.

6. Significant Subsequent Events

Not applicable.



## ■ Overview of ESCON REIT

### 1. Investment Status

	7th fiscal period ended July 31, 2020	8th fiscal period ended January 31, 2021	9th fiscal period ended July 31, 2021	10th fiscal period ended January 31, 2022	11th fiscal period ended July 31, 2022
Total number of investment units authorized (units)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Total number of investment units issued and outstanding (units)	282,982	282,982	282,982	351,967	351,967
Total amount of investment (million yen)	28,439	28,439	28,439	38,107	38,107
Number of unitholders (people)	11,910	12,024	11,727	13,493	14,639

### 2. Matters Concerning Investment Units

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

Company name	Number of investment units held (units)	Ratio to total number of investment units issued and outstanding (%) *
The Master Trust Bank of Japan, Ltd. (Trust Account)	39,269	11.2
Custody Bank of Japan, Ltd. (Trust Account)	29,521	8.4
Osaka Co-sei Shinkin Bank	20,940	5.9
ES-CON JAPAN Ltd.	16,894	4.8
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	13,218	3.8
NISSEI BUILD KOGYO CO., LTD.	9,190	2.6
Osaka Shoko Shinkin Bank	8,487	2.4
Daido Shinkumi Bank	6,415	1.8
Kinkisangyo Shinkumi Bank	6,226	1.8
THE SAIKYO BANK, LTD.	4,950	1.4
Total	155,110	44.1

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

### 3. Matters Concerning Officers

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

Title	Name	Major concurrent positions	Total remuneration for each officer during the current fiscal period (thousand yen)*2 *3
Executive Director*1	Atsumu Sasaki	ES-CON ASSET MANAGEMENT Ltd. Senior Executive Officer General Manager Reit Asset Management Dept.	—
Supervisory Director*1	Satoshi Ugajin	JBA Holdings Co., Ltd. Japan Business Assurance Co., Ltd. JBA HR Solution Co., Ltd. Info Cubic Japan Co., Ltd. Scala, Inc. Director Managing Director Director Auditor (Part-time) Outside Director	2,700
	Rin Moriguchi	Momo-o, Matsuo & Namba Law Firm Partner Attorney	
Audit Firm	BDO Sanyu & Co.	-	9,300

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

\*2 The executive directors did not receive any remuneration from ESCON REIT during the current fiscal period. For supervisory directors, the amounts paid for the current fiscal period, 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 English financial statements.

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

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

4. Matters Concerning Liability insurance policies for directors and officers

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

Scope of the Insured Persons	Summary of Contract
All executive and supervisory directors	<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. <Premium contribution ratio> The premiums for all insured persons are fully paid by ESCON REIT. <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.

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

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

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

## ■ Status of Portfolio Assets

### 1. Composition of Assets

Asset type	Region	10 <sup>th</sup> fiscal period As of January 31, 2022		11 <sup>th</sup> fiscal period As of July 31, 2022	
		Total holdings (Million yen) * <sup>1</sup>	Ratio to total assets (%) * <sup>2</sup>	Total holdings (Million yen) * <sup>1</sup>	Ratio to total assets (%) * <sup>2</sup>
Real estate	Chukyo metropolitan area	-	-	6	0.0
Total real estate		-	-	6	0.0
Real estate in trust	Tokyo metropolitan area	7,779	10.3	7,771	10.2
	Kinki metropolitan area	34,393	45.4	34,360	45.2
	Chukyo metropolitan area	5,035	6.6	5,053	6.6
	Fukuoka metropolitan area	10,537	13.9	10,537	13.9
	Other area	12,043	15.9	12,012	15.8
Total real estate in trust		69,790	92.0	69,735	91.7
Deposits and other assets		6,050	8.0	6,271	8.3
Total assets		75,840	100.0	76,014	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 July 31, 2022:

Property number * <sup>1</sup>	Property name	Book value (Million yen) * <sup>2</sup>	Leasable area (m <sup>2</sup> ) * <sup>3</sup>	Leased area (m <sup>2</sup> ) * <sup>3</sup>	Occupancy rate (%) * <sup>3</sup> * <sup>4</sup>	Ratio to total real estate leasing revenue (%)	Primary use
KT-1	tonarie Minami-senri	7,214	7,598.31	7,590.27	99.9	12.3	Commercial facility
KT-4	tonarie Toga・Mikita	6,931	8,471.24	8,471.24	100.0	9.6	Commercial facility
OT-1	Suroy Mall Nagamine	4,617	12,622.98	12,390.88	98.2	6.4	Commercial facility
TT-1	Yoshizuya Y Store Nishiharu*5	4,576	26,432.58	26,331.65	99.6	14.0	Commercial facility
KT-3	tonarie Yamatotakada (50% ownership)	4,105	14,414.67	14,414.67	100.0	6.2	Commercial facility
OT-2	Fuji Grand Natalie	3,948	28,543.96	28,543.96	100.0	Not disclosed * <sup>6</sup>	Commercial facility
FS-1	MrMax Kasuga (Leasehold land)	3,428	38,113.27	38,113.27	100.0	3.1	Commercial facility
ST-1	Asumigaoka Brand-New Mall	3,204	22,480.50	22,411.71	99.7	8.8	Commercial facility
	Asumigaoka Brand-New Mall (Leasehold land)		2,672.67	2,672.67	100.0		
KT-2	tonarie Seiwadai	3,190	8,798.01	8,798.01	100.0	7.1	Commercial facility
KS-5	LIFE Daisen Store (Leasehold land)	2,758	9,264.48	9,264.48	100.0	2.7	Commercial facility
Total		43,975	179,412.67	179,002.81	99.8		

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

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

\*3 "Leasable area" is the total area considered available for lease in the acquired assets (if the acquired asset is leasehold lands, such lands) as of July 31, 2022, based on the various lease agreements, reports prepared by property management companies, or building plans. The Leasable Area for Yoshizuya Y Store Nishiharu is based on the leased area in the completion drawing, etc. for certain lease contracts where the leased area is not stated. In addition, the Leased Area for assets for which a master lease agreement has been concluded is the total area that has actually been leased to end tenants with sublease agreements, etc., rounded to the second decimal place. However, for "Fuji Grand Natalie," whose master leasing company is Fuji Co., Ltd., the leased area from the master lease agreement is rounded to the second decimal place. The occupancy rate is given based on the data as of the end of the fiscal period. Although ESCON REIT owns a 50% quasi-co-ownership interest in the trust beneficiary rights for tonarie Yamatotakada, the above table shows the figures for the entire properties.

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

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

\*5 OKUWA Co. Ltd., which had leased one building of this property, departed on April 20, 2022. In addition, on March 15, 2022, a lease agreement for the entire building was concluded with Yoshizuya Co., Ltd., and the name of the retail building was changed from "Pare Marche Nishiharu" to "Yoshizuya Y Store Nishiharu" as of April 21, 2022. The same applies hereafter.

\*6 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 July 31, 2022:

Property number	Property name	Location	Type of ownership *1	Book value (Million yen)	Appraisal value at end of period (Million yen) *2
ST-1	Asumigaoka Brand-New Mall	Chiba City, Chiba Prefecture	Trust beneficiary interest	3,204	3,380
	Asumigaoka Brand-New Mall (Leasehold land)				297
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	Trust beneficiary interest	454	468
SS-1	K's Denki Oyumino Store (Leasehold land)	Chiba City, Chiba Prefecture	Trust beneficiary interest	2,737	2,880
SS-2	Nitori Tsuchiura Store (Leasehold land)	Tsuchiura City, Ibaraki Prefecture	Trust beneficiary interest	1,007	1,090
SS-3	Nitori Imaichi Store (Leasehold land)	Nikko City, Tochigi Prefecture	Trust beneficiary interest	368	408
KT-1	tonarie Minami-senri	Suita City, Osaka Prefecture	Trust beneficiary interest	7,214	8,010
KT-2	tonarie Seiwadai	Kawanishi City, Hyogo Prefecture	Trust beneficiary interest	3,190	3,420
KT-3	tonarie Yamatotakada (50% ownership)	Yamatotakada City, Nara Prefecture	Trust beneficiary interest	4,105	4,050
KT-4	tonarie Toga・Mikita	Sakai City, Osaka Prefecture	Trust beneficiary interest	6,931	7,090
KS-1	LAMU Kitatsumori Store (Leasehold land)	Osaka City, Osaka Prefecture	Trust beneficiary interest	1,284	1,480
KS-2	K's Denki Nishi-kobe Store (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interest	2,154	2,470
KS-3	Sanyo Marunaka Mitani Store (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interest	1,443	1,530
KS-4	TSUTAYA Sakai-minami Store (Leasehold land)	Sakai City, Osaka Prefecture	Trust beneficiary interest	955	1,030
KS-5	LIFE Daisen Store (Leasehold land)	Sakai City, Osaka Prefecture	Trust beneficiary interest	2,758	3,060
KS-6	Trial Omihachiman Store (Leasehold land)	Omihachiman City, Shiga Prefecture	Trust beneficiary interest	1,019	1,100
KS-7	Kusuri No Aoki Ikaruga Store (Leasehold land) *3	Ikoma District, Nara Prefecture	Trust beneficiary interest	718	(1)702 (2)28
KS-8	Drug Yutaka Muko Kamiueno Store (Leasehold land)	Muko City, Kyoto Prefecture	Trust beneficiary interest	464	477
KS-9	Welcia Amagasaki Muko-Motomachi Store (Leasehold land)	Amagasaki City, Hyogo Prefecture	Trust beneficiary interest	571	577
KS-10	Cocokarafine Neyagawa Park Store (Leasehold land)	Neyagawa City, Osaka Prefecture	Trust beneficiary interest	709	717
KS-11	ENEOS Ikawadani Service Station (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interest	535	531
KS-12	GEO Hikone Takamiya Store (Leasehold land)	Hikone City, Shiga Prefecture	Trust beneficiary interest	304	306
TT-1	Yoshizuya Y Store Nishiharu*4	Kitanagoya City, Aichi Prefecture	Trust beneficiary interest and additional facilities	4,576	2,330
TS-1	MaxValu Kikyogaoka-higashi Store (Leasehold land)	Nabari City, Mie Prefecture	Trust beneficiary interest	483	541

Property number	Property name	Location	Type of ownership *1	Book value (Million yen)	Appraisal value at end of period (Million yen) *2
FS-1	MrMax Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	3,428	3,930
FS-2	Uniqlo Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	601	670
FS-3	Avail SHIMAMURA Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	874	1,110
FS-4	au-SoftBank Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	145	160
FS-5	Kura Sushi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	264	304
FS-6	Docomo Shop Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	163	181
FS-7	Konpiramaru Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	239	265
FS-8	One Karubi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	239	265
FS-9	Suke-san Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	405	420
FS-10	Nafco Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	2,666	3,430
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interest	1,506	1,840
OT-1	Suroy Mall Nagamine	Kumamoto City, Kumamoto Prefecture	Trust beneficiary interest	4,617	4,650
OT-2	Fuji Grand Natalie	Hatsukaichi City, Hiroshima Prefecture	Trust beneficiary interest	3,948	4,100
OS-1	K's Denki Kurashiki Store (Leasehold land)	Kurashiki City, Okayama Prefecture	Trust beneficiary interest	2,136	2,450
OS-2	Yamada Denki Tecc.Land Sapporo Shiroishi Store (Leasehold land)	Sapporo City, Hokkaido	Trust beneficiary interest	1,310	1,330
	Total			69,742	73,077

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

\*2 The "Appraisal value at the end of the period" is an appraisal value by a real estate appraiser based on the Articles of Incorporation of ESCON REIT and rules set by the Investment Trusts Association, Japan, with the end of the fiscal period as the date of investigation.

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

\*4 The book value of the property includes the book value of additional facilities annexed to the commercial facility.

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

Property number	Property name	10th fiscal period From August 1, 2021 to January 31, 2022				11th fiscal period From February 1, 2022 to July 31, 2022			
		Total number of tenants	Occupancy rate	Real estate leasing business revenue	Percentage of total real estate leasing revenue	Total number of tenants	Occupancy rate	Real estate leasing business revenue	Percentage of total real estate leasing revenue
		(As of the end of the fiscal period) *1	(As of the end of the fiscal period) (%) *2	(During the fiscal period) (Million yen) *3	(%) *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
ST-1	Asumigaoka Brand-New Mall	30	99.7	244	9.9	30	99.7	237	8.8
	Asumigaoka Brand-New Mall (Leasehold land)	2	100.0			2	100.0		
ST-2	Nishi-shiroi Ekimae Plaza	4	100.0	21	0.9	4	100.0	20	0.8
SS-1	K's Denki Oyumino Store (Leasehold land)	1	100.0	70	2.8	1	100.0	70	2.6
SS-2	Nitori Tsuchiura Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
SS-3	Nitori Imaichi Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KT-1	tonarie Minami-senri	45	100.0	328	13.2	46	99.9	331	12.3
KT-2	tonarie Seiwadai	33	100.0	184	7.5	33	100.0	193	7.1
KT-3	tonarie Yamatotakada (50% ownership)	63	93.3	167	6.8	67	100.0	168	6.2
KT-4	tonarie Toga・Mikita*4	32	100.0	257	10.4	32	100.0	259	9.6
KS-1	LAMU Kitatsumori Store (Leasehold land)	1	100.0	38	1.5	1	100.0	38	1.4
KS-2	K's Denki Nishi-kobe Store (Leasehold land)	1	100.0	62	2.5	1	100.0	62	2.3
KS-3	Sanyo Marunaka Mitani Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KS-4	TSUTAYA Sakai-minami Store (Leasehold land)	1	100.0	21	0.9	1	100.0	21	0.8
KS-5	LIFE Daisen Store (Leasehold land)	1	100.0	72	2.9	1	100.0	72	2.7
KS-6	Trial Omihachiman Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KS-7	Kusuri No Aoki Ikaruga Store (Leasehold land) *4	2	100.0	Not disclosed *5	Not disclosed *5	2	100.0	Not disclosed *5	Not disclosed *5
KS-8	Drug Yutaka Muko Kamiueno Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KS-9	Welcia Amagasaki Muko-Motomachi Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KS-10	Cocokarafine Neyagawa Park Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KS-11	ENEOS Ikawadani Service Station (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
KS-12	GEO Hikone Takamiya Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
TT-1	Yoshizuya Y Store Nishiharu	56	99.9	161	6.5	55	99.6	378	14.0

Property number	Property name	10th fiscal period From August 1, 2021 to January 31, 2022				11th fiscal period From February 1, 2022 to July 31, 2022			
		Total number of tenants (As of the end of the fiscal period) *1	Occupancy rate (As of the end of the fiscal period) (%) *2	Real estate leasing business revenue (During the fiscal period) (Million yen) *3	Percentage of total real estate leasing revenue (%) *5	Total number of tenants (As of the end of the fiscal period) *1	Occupancy rate (As of the end of the fiscal period) (%) *2	Real estate leasing business revenue (During the fiscal period) (Million yen) *3	Percentage of total real estate leasing revenue (%) *5
TS-1	MaxValu Kikyogaoka-higashi Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
FS-1	MrMax Kasuga (Leasehold land)	1	100.0	84	3.4	1	100.0	84	3.1
FS-2	Uniqlo Kasuga (Leasehold land)	1	100.0	13	0.6	1	100.0	13	0.5
FS-3	Avail SHIMAMURA Kasuga (Leasehold land)	1	100.0	23	0.9	1	100.0	23	0.9
FS-4	au-SoftBank Kasuga (Leasehold land)	1	100.0	3	0.2	1	100.0	3	0.1
FS-5	Kura Sushi Kasuga (Leasehold land)	1	100.0	7	0.3	1	100.0	7	0.3
FS-6	Docomo Shop Kasuga (Leasehold land)	1	100.0	4	0.2	1	100.0	4	0.2
FS-7	Konpiramaru Kasuga (Leasehold land)	1	100.0	6	0.3	1	100.0	6	0.2
FS-8	One Karubi Kasuga (Leasehold land)	1	100.0	6	0.3	1	100.0	6	0.2
FS-9	Suke-san Kasuga (Leasehold land)	1	100.0	10	0.4	1	100.0	10	0.4
FS-10	Nafco Kasuga (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
FS-11	K's Denki Kasuga (Leasehold land)	1	100.0	37	1.5	1	100.0	37	1.4
OT-1	Suroy Mall Nagamine	24	98.2	172	7.0	25	98.2	173	6.4
OT-2	Fuji Grand Natalie	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
OS-1	K's Denki Kurashiki Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
OS-2	Yamada Denki Tecc.Land Sapporo Shiroishi Store (Leasehold land)	1	100.0	Not disclosed *5	Not disclosed *5	1	100.0	Not disclosed *5	Not disclosed *5
	Total	320	99.7	2,476	100.0	325	99.9	2,706	100.0

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

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

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

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

\*4 A fixed-term business-use land lease agreement was entered into for this property with two lessees, KUSURI NO AOKI HOLDINGS Co., Ltd. and Ikaritombo Co., Ltd. Each figure is the sum of the figures for the two lessees.

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

4. Description of Renewable Energy Power Generation Facilities

Not applicable.

5. Description of Operating Rights of Public Facilities

Not applicable.

6. Description of Portfolio in securities

Not applicable.

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

Not applicable.

8. Status of Other Assets

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

9. Asset Holdings by Country and Region

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



## ■ Capital Expenditures on Real Estate Holdings

### 1. Planned Capital Expenditures

A schedule of major capital expenditures for renovation work, etc. currently planned for the assets held as of July 31, 2022 is shown below. 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 Prefecture	Escalator renewal construction work	From December, 2022 to February, 2023	81	-	-
Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	Air conditioning equipment renewal construction work	From May, 2023 to May, 2023	5	-	-

### 2. Capital Expenditures During the Fiscal Period

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

### 3. Money Set Aside for Long-Term Repair Projects

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

Business period	7th fiscal period From February 1, 2020 to July 31, 2020	8th fiscal period From August 1, 2020 to January 31, 2021	9th fiscal period From February 1, 2021 to July 31, 2021	10th fiscal period From August 1, 2021 to January 31, 2022	11th fiscal period From February 1, 2021 to July 31, 2022
Reserve balance at start of fiscal period (Million yen)	49	64	80	95	124
Amount accumulated during the fiscal period (Million yen)	15	15	15	28	27
Amount reversed during the fiscal period (Million yen)	-	-	-	-	-
Amount carried over to the next fiscal period (Million yen)	64	80	95	124	152

## ■ Expenses and Liabilities

### 1. Breakdown of Operational Expenses

(Unit: Thousand yen)

Item	10th fiscal period From August 1, 2021 to January 31, 2022	11th fiscal period From February 1, 2022 to July 31, 2022
Asset management fees*	105,335	138,050
Asset custody fees	3,514	3,667
Administrative agent fees	11,492	11,097
Directors' remuneration	2,769	2,700
Taxes and public dues	12,649	8,435
Other expenses	40,268	41,758
Total	176,029	205,708

\* In addition to the abovementioned amounts, asset management fees include 88,123 thousand yen in the 10th fiscal period for property acquisition fees that were included in the book value of investment properties. There are no applicable items for the 11th fiscal period.

## 2. Status of Borrowings

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

Classification	Lender	Date of borrowing	Balance at beginning of fiscal period (Thousand yen)	Balance at end of fiscal period (Thousand yen)	Average interest rate *2 (%)	Date of Repayment	Repayment Method	Use of funds	Summary
Short-term borrowings	Mizuho Bank, Ltd.	August 3, 2021	354,000	-	0.267	July 31, 2022	Bullet repayment	*3	-
	Total of Short-term borrowings		354,000	-					
Long-term borrowings	Sumitomo Mitsui Banking Corporation	February 13, 2019	1,765,000	1,765,000	0.577	January 31, 2023	Bullet repayment	*3	-
	Mizuho Bank, Ltd.		1,665,000	1,665,000					
	The Bank of Fukuoka, Ltd.		1,430,000	1,430,000					
	AEON Bank, Ltd.		1,000,000	1,000,000					
	Sumitomo Mitsui Trust Bank, Limited		1,000,000	1,000,000					
	MUFG Bank, Ltd.		1,000,000	1,000,000					
	The Minato Bank, Ltd.		750,000	750,000					
	Resona Bank, Limited		750,000	750,000					
	The Senshu Ikeda Bank, Ltd.		250,000	250,000					
	The Chiba Bank, Ltd.		250,000	250,000					
	Mizuho Bank, Ltd.	February 4, 2020	1,210,000	1,210,000	0.417	January 31, 2024	Bullet repayment	*3	-
	The Bank of Fukuoka, Ltd.		500,000	500,000					
	The Hyakugo Bank, Ltd.		500,000	500,000					
	AEON Bank, Ltd.		400,000	400,000					
	Sumitomo Mitsui Trust Bank, Limited		300,000	300,000					
	The Minato Bank, Ltd.		300,000	300,000					
	Resona Bank, Limited		300,000	300,000					
	The Aichi Bank, Ltd.		300,000	300,000					
	The Chukyo Bank, Limited		300,000	300,000					
	Mizuho Trust & Banking Co., Limited		300,000	300,000					
	The Senshu Ikeda Bank, Ltd.		200,000	200,000					

Classification	Lender	Date of borrowing	Balance at beginning of fiscal period (Thousand yen)	Balance at end of fiscal period (Thousand yen)	Average interest rate *2 (%)	Date of Repayment	Repayment method	Use of funds	Summary
Long-term borrowings*1	Mizuho Bank, Ltd.	August 3, 2021	687,000	687,000	0.417	July 31, 2025	Bullet repayment	*3	-
	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	0.517	July 31, 2026	Bullet repayment	*3	-
	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	0.567	July 31, 2027	Bullet repayment	*3	-
	The Chukyo 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					
	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	990,000	0.367	January 31, 2025	Bullet repayment	*4	-
	Resona Bank, Limited		750,000	750,000					
	Mizuho Bank, Ltd.		271,000	271,000					
	The Chiba Bank, Ltd.		250,000	250,000					
	The Minato Bank, Ltd.		125,000	125,000					

Classification	Lender	Date of borrowing	Balance at beginning of fiscal period (Thousand yen)	Balance at end of fiscal period (Thousand yen)	Average interest rate *2 (%)	Date of Repayment	Repayment method	Use of funds	Summary
Long-term borrowings *1	Sumitomo Mitsui Banking Corporation	January 31, 2022	882,500	882,500	0.417	January 31, 2026	Bullet repayment	*4	-
	The Bank of Fukuoka, Ltd.		540,000	540,000					
	AEON Bank, Ltd.		500,000	500,000					
	MUFG Bank, Ltd.		500,000	500,000					
	Sumitomo Mitsui Trust Bank, Limited		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	0.517	January 31, 2027	Bullet repayment	*4	-
	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	0.567	January 31, 2028	Bullet repayment	*4	-
	The Yamaguchi Bank, Ltd.		500,000	500,000					
	Total of Long-term borrowings		33,091,000	33,091,000					
Total borrowings			33,445,000	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.

\*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 long-term borrowings of 9,960,000 thousand yen with a repayment date of January 31, 2022.

### 3. Status of Investment Corporation Bonds

Not applicable.

### 4. Status of Short-term Investment Corporation Bonds

Not applicable.

### 5. Status of New Investment Unit Acquisition Rights

Not applicable

## ■Status of Acquisition and Sale during the Period

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

Asset

Not applicable.

### 2. Transactions Other Assets

Not applicable.

### 3. Review on Value of Specified Assets Properties

#### (1) Real estate

Not applicable.

#### (2) Other

Not applicable.

### 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)	
Administrative expenses	206,219	ES-CON PROPERTY Ltd. <sup>*2</sup>	150,217	72.8

<sup>\*1</sup> 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.

<sup>\*2</sup> In addition to the amount described above, 2,194 thousand yen of construction management fee and other related costs were recorded as assets.

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

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

## ■ Accounting Status

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

Please refer to II Balance 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.

### 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.

## ■ Other

### 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 current fiscal period.

Date of approval	Item	Description
June 13, 2022	Conclusion of a Memorandum of Understanding for the Unitholders' Register Administration Agreement	For the Unitholders' Register Administration Agreement concluded between Sumitomo Mitsui Trust Bank, Limited and ESCON REIT, we have agreed to add an item for handling the administration of the General Meeting of Unitholders in accordance with the revised Companies Act (electronic provision system of materials for the General Meeting of Unitholders).

### 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 January 31, 2022	Current fiscal period As of July 31, 2022
Assets		
Current assets		
Cash and deposits	2,091,168	2,628,014
Cash and deposits in trust	3,417,259	3,424,810
Operating accounts receivable	45,438	64,514
Consumption taxes refund receivable	315,296	-
Prepaid expenses	60,122	54,126
Other	1,577	-
Total current assets	5,930,863	6,171,466
Non-current assets		
Property, plant and equipment		
Buildings	-	7,063
Accumulated depreciation	-	(282)
Buildings, net	-	6,781
Buildings in trust	12,449,202	12,565,139
Accumulated depreciation	(717,071)	(885,961)
Buildings in trust, net	11,732,131	11,679,178
Structures in trust	145,289	146,110
Accumulated depreciation	(24,417)	(27,951)
Structures in trust, net	120,871	118,159
Tools, furniture and fixtures in trust	30,304	34,338
Accumulated depreciation	(7,013)	(9,910)
Tools, furniture and fixtures in trust, net	23,291	24,427
Land in trust	57,914,000	57,914,000
Total property, plant and equipment	69,790,294	69,742,547
Intangible assets		
Trademarks	664	610
Other	3,432	2,615
Total intangible assets	4,097	3,226
Investments and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	105,193	87,101
Deferred tax assets	19	10
Total investments and other assets	115,213	97,111
Total noncurrent assets	69,909,604	69,842,885
Total assets	75,840,468	76,014,351

(Unit: Thousand yen)

	Previous fiscal period (reference) As of January 31, 2022	Current fiscal period As of July 31, 2022
Liabilities		
Current liabilities		
Operating accounts payable	92,630	441,832
Short-term borrowings	354,000	-
Current portion of long-term borrowings	9,860,000	9,860,000
Accounts payable - other	61,119	12,775
Accrued expenses	128,228	164,445
Income taxes payable	1,011	816
Accrued consumption taxes	-	88,948
Advances received	340,676	332,701
Deposits received	1,894	772
Total current liabilities	10,839,560	10,902,292
Non-current liabilities		
Long-term borrowings	23,231,000	23,231,000
Tenant lease and guarantee deposits in the trusts	2,397,951	2,505,350
Total non-current liabilities	25,628,951	25,736,350
Total liabilities	36,468,511	36,638,643
Net assets		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,264,747	1,268,499
Total surplus	1,264,747	1,268,499
Total unitholders' equity	39,371,956	39,375,708
Total net assets	39,371,956	39,375,708
Total liabilities and net assets	75,840,468	76,014,351

\*1

### III Statements of Income and Retained Earnings

(Unit: Thousand yen)

		Previous fiscal period (reference) From August 1, 2021 To January 31, 2022	Current fiscal period From February 1, 2022 To July 31, 2022
Operating revenue			
Leasing business revenue	*1	2,230,463	2,196,062
Other leasing business revenue	*1	246,164	510,392
Total operating revenue		2,476,628	2,706,455
Operating expenses			
Expenses related to leasing business	*1	794,032	1,118,503
Asset management fees		105,335	138,050
Asset custodian fees		3,514	3,667
Administrative service fees		11,492	11,097
Remuneration for director (and other officers)		2,769	2,700
Taxes and public dues		12,649	8,435
Other operating expenses		40,268	41,758
Total operating expenses		970,061	1,324,211
Operating income		1,506,567	1,382,243
Non-operating income			
Interest income		17	25
Interest on tax refund		-	121
Other		1	-
Total non-operating income		18	147
Non-operating expenses			
Interest expenses		84,845	82,282
Financing fees		132,374	29,678
Investment unit issuance expenses		22,247	-
Other		1,230	1,230
Total non-operating expenses		240,697	113,191
Ordinary income		1,265,888	1,269,199
Income before income taxes		1,265,888	1,269,199
Income taxes - current		1,168	820
Income taxes - deferred		(10)	9
Total income taxes		1,158	829
Net income		1,264,729	1,268,369
Retained earnings brought forward		18	130
Unappropriated retained earnings (undisposed loss)		1,264,747	1,268,499

## IV Statements of Unitholders' Equity

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

(Unit: Thousand yen)

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

Current fiscal period (From February 1, 2022 to July 31, 2022)

(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	1,264,747	1,264,747	39,371,956	39,371,956
Changes of items during the period					
Dividends from surplus	-	(1,264,617)	(1,264,617)	(1,264,617)	(1,264,617)
Net income	-	1,268,369	1,268,369	1,268,369	1,268,369
Total changes of items during the period	-	3,752	3,752	3,752	3,752
Balance at the end of the period	*1 38,107,208	1,268,499	1,268,499	39,375,708	39,375,708

## V Statements of Cash Dividend Distributions

	Previous fiscal period (reference) From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
I. Unappropriated retained earnings	1,264,747,853Yen	1,268,499,888Yen
II. Distributions	1,264,617,431Yen	1,268,489,068Yen
(Distributions per unit)	(3,593Yen)	(3,604Yen)
III. Retained earnings carried forward	130,422Yen	10,820Yen
How distributions were calculated	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on the policy, ESON REIT decided to distribute 1,264,617,431 yen. This amount is estimated to be the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p>	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESON REIT has decided to distribute 1,268,489,068 yen. This amount is estimated to be the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p>

## VI Statements of Cash Flows

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
<b>Cash Flows from Operating Activities</b>		
Income before income taxes	1,265,888	1,269,199
Depreciation	175,256	176,473
Investment unit issuance expenses	22,247	-
Interest income	(17)	(25)
Interest expenses	84,845	82,282
Increase in operating accounts receivable	(3,848)	(19,075)
Decrease (increase) in consumption taxes refund receivable	(315,296)	315,296
Decrease (increase) in prepaid expenses	(15,534)	5,995
Decrease (increase) in long-term prepaid expenses	(83,708)	18,092
Increase in operating accounts payable	10,679	349,202
Increase (decrease) in accounts payable - other	46,772	(50,288)
Increase in accrued expenses	6,000	35,314
Increase (decrease) in accrued consumption taxes	(24,178)	88,948
Increase (decrease) in advances received	71,579	(7,974)
Others, net	462	(6,607)
Subtotal	1,241,148	2,256,832
Interest received	17	25
Interest paid	(84,942)	(81,379)
Income taxes paid	(961)	(1,015)
Net cash provided by operating activities	1,155,262	2,174,463
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment in trust	(17,811,487)	(120,792)
Proceeds from tenant lease and guarantee deposits in the trusts	730,310	177,142
Refund of tenant lease and guarantee deposits in the trusts	(11,877)	(69,742)
Net cash used in investing activities	(17,093,054)	(13,392)
<b>Cash Flows from Financing Activities</b>		
Proceeds from short-term borrowings	354,000	-
Repayments of short-term borrowings	-	(354,000)
Proceeds from long-term borrowings	19,026,000	-
Repayments of long-term borrowings	(10,365,000)	-
Proceeds from issuance of investment units	9,645,379	-
Distributions paid	(999,614)	(1,262,673)
Net cash provided by (used in) financing activities	17,660,765	(1,616,673)
Net increase in cash and cash equivalents	1,722,973	544,397
Cash and cash equivalents at the beginning of period	3,785,454	5,508,428
Cash and cash equivalents at the end of period	5,508,428	6,052,825

\*1

## VII Notes

[Notes on going concern assumption]

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> <table> <tr> <td>Buildings</td><td>3 to 64 years</td></tr> <tr> <td>Structures</td><td>12 to 63 years</td></tr> <tr> <td>Furniture and fixtures</td><td>3 to 10 years</td></tr> </table> <p>(2) Intangible assets The straight-line method is used.</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>	Buildings	3 to 64 years	Structures	12 to 63 years	Furniture and fixtures	3 to 10 years
Buildings	3 to 64 years						
Structures	12 to 63 years						
Furniture and fixtures	3 to 10 years						
2. Accounting for deferred assets	<p>Investment unit issuance expenses The entire amount is expensed as incurred.</p>						
3. Accounting standards for revenues and expenses	<p>(1) Standards for revenue recognition The following is a description of the ESCON REIT's main performance obligations with respect to revenues arising from contracts with customers and the normal time at which such performance obligations are satisfied (i.e., the normal time at which revenue is recognized).</p> <ul style="list-style-type: none"> <li>i. Sales of real estate. For sales of real estate, revenue is recognized when the customer (i.e., the buyer) obtains control of the real estate as a result of our fulfillment of the delivery obligations stipulated in the sales contract for the real estate.</li> <li>ii. Utility charges received Utility charges received are recorded as revenues according to the supply of electricity, water to the lessee as a customer, based on the lease contract of the real estate and other related agreements.</li> </ul> <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 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 included in the cost of acquisition of real estate in the previous fiscal period is 40,013 thousand yen. There was no amount equivalent to property taxes included in the acquisition costs for real estate during the current fiscal periods.</p>						
4. Scope of funds in the statements of cash flows	<p>Funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.</p>						

5. Other Items Forming the Basis for the Preparation of Financial Statements	<p>(1) Accounting for trust beneficial interests in real estate as trust asset</p> <p>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 Statements of Income and Retained Earnings. Included in the trust assets are items accounted for under the respective accounts, and the following significant items are separately classified on the balance sheets.</p> <ul style="list-style-type: none"> <li>i. Cash in trust and deposits in trust</li> <li>ii. Buildings in trust and structures in trust <ul style="list-style-type: none"> <li>Tools, furniture and fixtures in trust and land in trust</li> </ul> </li> <li>iii. Tenant lease and guarantee deposits in the trusts</li> </ul> <p>(2) Accounting for consumption taxes</p> <p>Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p>
--	--

[Notes concerning significant accounting estimates]

Impairment of non-current assets

1. Amount recorded in financial statements

(Unit: Thousand yen)

	Previous fiscal period As of and for the 6 months ended January 31, 2022	Current fiscal period As of and for the 6 months ended July 31, 2022
Property, plant and equipment	69,790,294	69,742,547
Intangible assets	4,097	3,226
Impairment losses	—	—

2. Information concerning significant accounting estimates related to identified items

In accordance with accounting standards for impairment of non-current assets, ESCON REIT applies an accounting method to reduce the book value of non-current assets to the recoverable amount when recovery of the amount invested is not expected due to a decline in profitability. In applying the accounting treatment, each property owned by ESCON REIT is considered as one asset group, and when there is an indication of impairment due to continuous operating losses, significant decline in market price, or significant deterioration of the business environment, it is determined whether to have to recognize an impairment loss.

Estimated future cash flows are used to determine whether an impairment loss should be recognized. When recognition of an impairment loss is deemed necessary, the book value of the asset is reduced to its recoverable amount based on an external real estate appraisal, etc., and the amount of the reduction is recognized as an impairment loss.

Future cash flows are determined through an overall consideration of market trends, examples of transactions involving similar properties, and other factors regarding rents, occupancy rates, leasing business expenses, as well as other factors that are taken into account when estimating future cash flows.

Rent, occupancy rates, leasing business expenses, etc. for each property may be affected by trends in the real estate leasing market, etc. Therefore, any changes in the assumptions used for estimates, including these, may affect ESCON REIT's asset and profit and loss status in the following fiscal period.

[Notes on changes in presentation methods]

From the current fiscal period, impairment loss on non-current assets is stated in view of materiality (Notes concerning significant accounting estimates). In addition, in order to reflect this change in presentation, the contents related to the previous fiscal period are also described.

[Note to Balance Sheets]

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
*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



[Notes to Statements of Income and Retained Earnings]

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
*1 Description of income from real estate leasing operations		
A. Real estate leasing business revenue		
Leasing business revenue		
Lease income	1,052,287	1,045,773
Land lease income received	823,393	824,893
Common service fees	122,033	122,315
Other lease income revenues	232,748	203,080
Total	2,230,463	2,196,062
Other leasing business revenues		
Utility charges received	234,509	236,861
Restoration revenue	73	250,068
Other revenues	11,581	23,462
Total	246,164	510,392
Total real estate leasing business revenue	2,476,628	2,706,455
B. Real estate leasing business expenses		
Expenses related to leasing business		
Administrative expenses	192,137	206,219
Trust fees	8,704	9,225
Utility charges	212,766	241,940
Non-life insurance premiums	4,488	4,492
Repair expenses	31,804	240,434
Taxes and public dues	160,263	214,171
Depreciation	174,386	175,603
Other leasing business expenses	9,481	26,415
Total expenses related to leasing business	794,032	1,118,503
C. Income from real estate leasing business (A - B)	1,682,596	1,587,952
(Changes in presentation methods)		
“Restoration revenue,” which was included in “Other revenues” in the previous fiscal period, is presented separately for the current fiscal period due to its increased importance in terms of amount.		
As a result, “Restoration revenue” of 73 thousand yen, which was included in “Other revenues” in the previous fiscal period, has been reclassified as “Restoration revenue”.		

[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 August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Total number of investment units authorized	10,000,000units	10,000,000units
Total number of investment units issued and outstanding	351,967units	351,967units

[Notes to Statements of Cash Flows]

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

(Unit: Thousand yen)

	Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Cash and deposits	2,091,168	2,628,014
Cash and deposits in trust	3,417,259	3,424,810
Cash and cash equivalents	5,508,428	6,052,825

[Notes to Lease Transactions]

Operating lease transactions (Lessor)

Future minimum lease revenues under existing non-cancelable lease agreements

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
Within a year	2,271,349	2,347,253
Over a year	10,652,663	10,123,195
Total	12,924,012	12,470,449

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

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

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

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

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

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

Borrowings are taken out mainly for the purpose of raising funds to acquire assets and repay the borrowings. While the Company is exposed to risk of increasing interest rates on the borrowings upon refinancing and may not be able to refinance the borrowings, ESCON REIT manages to mitigate the risks by diversifying the lenders, due dates and taking a balanced financing approach including the issuance of investment units. ESCON REIT also manages risks to its operation from rising interest rates through the close monitoring of fluctuations in interest rates and the appropriate control of LTV.

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

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

2. Matters concerning the fair value of financial instruments

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

(Unit: Thousand yen)

	Carrying value	Fair value *1	Difference
(1) Current portion of long-term borrowings	9,860,000	9,860,000	-
(2) Long-term borrowings	23,231,000	23,231,000	-
Total liabilities	33,091,000	33,091,000	-

Balance sheets amount, fair value and their differences as of July 31, 2022 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 the trusts have been omitted since the balances are not material to the financial statements.

(Unit: Thousand yen)

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

Total liabilities	33,091,000	33,091,000	-
-------------------	------------	------------	---

\*1 The method used in calculating the fair value of the financial instruments

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

The borrowings have variable interest rates and interest is adjusted to the current market rates and accordingly, the fair value of the borrowings should approximate the carrying value of the borrowings.

\*2 Scheduled redemption of loans after the closing date (January 31, 2022)

(Unit: Thousand yen)

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

Scheduled redemption of loans after the closing date (July 31, 2022)

(Unit: Thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	9,860,000	4,610,000	5,273,000	6,111,500	5,736,500	1,500,000
Total	9,860,000	4,610,000	5,273,000	6,111,500	5,736,500	1,500,000

#### [Notes to Securities]

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

#### [Notes to Derivative transactions]

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

#### [Notes to Retirement benefits]

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

#### [Notes to Deferred Income Taxes]

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

(Unit: Thousand yen)

	Previous fiscal period As of January 31, 2022	Current fiscal period As of July 31, 2022
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	19	10
Total deferred tax assets	19	10
(Net deferred tax assets)	19	10

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 January 31, 2022	Current fiscal period As of July 31, 2022
Statutory tax rate	31.46	31.46
(adjustments)		
Tax-deductible cash distributions paid	(31.43)	(31.44)
Other	0.06	0.05
Effective tax rate	0.09	0.07

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

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

[Notes to Transactions with Related Parties]

1. Parent company and major institutional investors

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

Not applicable.

Current fiscal period (From February 1, 2022 to July 31, 2022)

Not applicable.

2. Affiliated companies

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

Not applicable.

Current fiscal period (From February 1, 2022 to July 31, 2022)

Not applicable.

3. Sibling companies

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

Not applicable.

Current fiscal period (From February 1, 2022 to July 31, 2022)

Not applicable.

#### 4. Directors and major individual unitholders

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

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

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

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

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

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

Current fiscal period (From February 1, 2022 to July 31, 2022)

Not applicable.

#### [Notes to Asset Retirement Obligations]

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

[Notes to Real Estate for Lease]

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

(Unit: Thousand yen)

		Previous fiscal period From August 1, 2021 to January 31, 2022	Current fiscal period From February 1, 2022 to July 31, 2022
Carrying value*1	Balance at the beginning of the period	52,153,193	69,790,294
	Changes during the period*2	17,637,100	(47,747)
	Balance at the end of the period	69,790,294	69,742,547
Fair value at the end of the period *3		75,149,200	73,077,400

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

\*2 Of the changes during the period, most of the increase of the previous fiscal period was mainly due to the acquisition of 11 properties, including SUROY MALL Nagamine (17,783,835 thousand yen in total), while the decrease is mainly due to depreciation (174,386 thousand yen). The increase in the current fiscal period is mainly due to capital expenditures for 7 properties, including tonarie Minami-senri (127,856 thousand yen in total), while the decrease is mainly due to depreciation (175,603 thousand yen).

\*3 The fair value at the end of the period was determined by 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 August 1, 2021 to January 31, 2022)

(Unit: Thousand yen)

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

\*1 Leasing business income subject to Accounting Standards Board of Japan (ASBJ) Statement No. 13 "Accounting Standard for Lease Transactions" is not included in "Revenue from contracts with customers", since the accounting standard for revenue recognition does not apply to such income. Revenues from contracts with customers mainly include revenues from sales of real estate and utility charges.

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

Current fiscal period (From February 1, 2022 to July 31, 2022)

(Unit: Thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate	—	—
Utility charges received*2	236,861	236,861
Other	—	2,469,594
Total	236,861	2,706,455

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

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

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

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

As described in the Notes on matters concerning significant accounting policies.

Current fiscal period (From February 1, 2022 to July 31, 2022)

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 August 1, 2021 to January 31, 2022	Current fiscal Period From February 1, 2022 to July 31, 2022
Receivables from contracts with a customer (at the beginning of the period)	30,433	34,272
Receivables from contracts with a customer (at the end of the period)	34,272	45,923
Contract assets (balance at the beginning of period)	—	—
Contract assets (balance at the end of period)	—	—
Contract liabilities (balance at the beginning of period)	—	—
Contract liabilities (balance at the end of period)	—	—

(2) Transaction prices allocated to remaining performance obligations

Not applicable.

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

[Note to Segment Information]

(Segment information)

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

(Relevant information)

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

1. Information by product and service

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

2. Information by Region

(1) Net sales

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

(2) Property, plant, and equipment

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

3. Information by major customer

(Unit: Thousand yen)

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

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

Current fiscal period (From February 1, 2022 to July 31, 2022)

1. Information by product and service

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

2. Information by Region

(1) Net sales

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

(2) Property, plant, and equipment

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

### 3. Information by major customer

(Unit: Thousand yen)

Customer Name	Operating revenue	Related Segment Name
ES-CON JAPAN Ltd.*	1,796,776	Real estate leasing business

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

#### [Notes to Per Unit Information]

	Previous fiscal Period From August 1, 2021 to January 31, 2022	Current fiscal Period From February 1, 2022 to July 31, 2022
Net assets per unit	111,862yen	111,873yen
Net income per unit	3,601yen	3,604yen

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 since there are no dilutive investment units.

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

	Previous fiscal Period From August 1, 2021 to January 31, 2022	Current fiscal Period From February 1, 2022 to July 31, 2022
Net income (Thousand yen)	1,264,729	1,268,369
Amount not attributable to common unitholders (Thousand yen)	-	-
Net income for common investment units (Thousand yen)	1,264,729	1,268,369
Average number of investment units during the period (units)	351,199	351,967

#### [Notes to Significant Subsequent Events]

Not applicable.



## **Independent Auditor's Report**

To the Board of Directors  
ESCON JAPAN REIT Investment Corporation

### **Opinion**

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

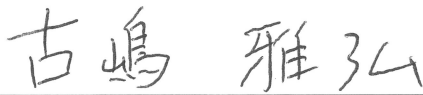
BDO Sanyu & Co.  
Osaka, Japan

October 28, 2022

Handwritten signature of Akira Torii in black ink, consisting of the characters '島' (Shima) and '陽' (Yō).

---

Akira Torii  
Designated Engagement Partner  
Certified Public Accountant

Handwritten signature of Masahiro Furushima in black ink, consisting of the characters '古' (Ko), '嶋' (Shima), '雅' (Masahiro), and '弘' (Hiro).

---

Masahiro Furushima  
Designated Engagement Partner  
Certified Public Accountant