

# Financial Report for the Fiscal Period Ended January 31, 2022 (REIT)

March 16, 2022

REIT Issuer: ESCON JAPAN REIT Investment Corporation  
 Securities Code: 2971  
 Representative: (Title) Executive Director

Stock Exchange Listing: TSE  
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Supplementary materials: Yes

IR Conference: Yes (For institutional investors and analysts)

[Amounts are rounded down to the nearest million yen]

## 1. Status of Management and Assets for the Fiscal Period Ended January 31, 2022 (from August 1, 2021 to January 31, 2022)

### (1) Management

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

	Operating revenue		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FP2022/1	2,476	29.6	1,506	37.6	1,265	26.4	1,264	26.3
FP2021/7	1,910	(0.6)	1,094	(1.5)	1,001	(1.7)	1,001	(1.7)

	Net income per unit*	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
	yen	%	%	%
FP1/2022	3,601	3.7	1.9	51.1
FP2021/7	3,537	3.4	1.8	52.4

\* Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (282,982 units for the fiscal period ended July 31, 2021, and 351,199 units for the fiscal period ended January 31, 2022).

### (2) Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio	Ratio of distributions to net assets
	yen	million yen	yen	million yen	%	%
FP2022/1	3,593	1,264	0	0	100.0	3.3
FP2021/7	3,538	1,001	0	0	100.0	3.4

\* Since the number of investment units has changed due to the issuance of new investment units during the period, the payout ratio for the period ended January 31, 2022 is calculated using the following formula and rounded off to one decimal place.

Payout ratio = Total distributions (excluding distribution in excess of earnings) ÷ Net income × 100

### (3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
FP2022/1	75,840	39,371	51.9	111,862
FP2021/7	56,061	29,440	52.5	104,037

### (4) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	million yen	million yen	million yen	million yen
FP2022/1	1,155	(17,093)	17,660	5,508
FP2021/7	1,082	(43)	(1,017)	3,785

**2.Management Status Forecasts for the Fiscal Period Ending July31, 2022 (from February 1, 2022 to July 31, 2022), and the Fiscal Period Ending January 31, 2023 (from August 1, 2022 to January 31, 2023).**

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

	Operating revenue		Operating income		Ordinary income		Net income		Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
	million yen	%	million yen	%	million yen	%	million yen	%	yen	yen
FP2022/7	2,420	(2.3)	1,330	(11.7)	1,211	(4.3)	1,210	(4.3)	3,440	0
FP2023/1	2,444	1.0	1,325	(0.3)	1,154	(4.8)	1,153	(4.8)	3,276	0

(Reference) Estimated net income per unit:

Estimated net income ÷ Estimated the number of investment units at end of period  
 FP2022/7: 3,440 yen                      FP2023/1: 3,276 yen

**\* Others**

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

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

(2) Total Number of Investment Units Issued and Outstanding

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

FP2022/1	351,967units	FP2021/7:	282,982 units
FP2022/1:	0 units	FP2021/7:	0 units

\*For the number of investment units serving as the basis of calculation for net income per unit, refer to Notes to Per Unit Information on page 20.

(3) Rounding processing

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

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

**\* Special Note**

(Caution Concerning Forward-Looking Statements, Etc.)

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

For details on assumptions for the forecast figures above, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending July 31, 2022 (from February 1, 2022 to July 31, 2022), and the Fiscal Period ending January 31, 2023 (August 1, 2022 to January 31, 2023) on page 6.

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# 1. Operations

## (1) Operations

### i. Overview of the Fiscal Period ended January 31, 2022

#### A. Brief background of the REIT

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

ESCON REIT will continue to pursue long-term stability and earnings growth by building a portfolio focused on investments in commercial facilities \*<sup>1</sup> deeply rooted in local communities in four major metropolitan areas \*<sup>2</sup> where concentration of the population is expected to continue, as well as in their leasehold land \*<sup>3</sup>. As a result of the acquisition of 11 new properties (including the additional acquisition of tonarie Toga-Mikita) (total acquisition price: 17,624 million yen) on August 3, 2021, the assets held by ESCON REIT as of the end of the fiscal period under review amounted to 38 properties with a total acquisition price of 69,604 million yen.

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

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

#### Notes:

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

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

\*<sup>3</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 hereafter.

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

\*<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, thinking of their happiness, create richness unprecedented in the real estate industry, 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, or a development with a stance of dealing comprehensively with all kinds of development as a business.

#### B. Operating environment and Management performance

During the fiscal period under review, real GDP growth in the October-December period of 2021 (second preliminary report) was positive at 1.1% (4.6% annualized), due to positive contributions from private consumption, net exports of goods and services, and private non-residential investment. However, the situation of Japanese economy remains challenging, with priority measures to prevent the spread of disease being implemented in various regions since January 2022 due to an increase in the number of people infected with the Omicron strain of COVID-19.

The J-REIT market during the fiscal period under review, in particular, since the beginning of 2022, the risk of rising U.S. interest rates, the outbreak of Omicron strain infections, and the increasingly tense situation in Ukraine have contributed to a significant drop in prices, with the TSE REIT Index at one point falling below 1,800 points. In commercial facilities, the situation for tenants in the apparel, restaurant, and service industries remains severe. On the other hand, tenants that handle daily necessities such as supermarkets, drug stores and DIY stores are performing relatively well.

In this environment, ESCON REIT worked to secure stable revenue over the medium to long term by taking appropriate

measures to manage assets and boost revenues, such as inviting tenants to vacant spaces and replacing tenants upon the expiry of their contracts, while working to ensure the safety of customers and the employees of tenants at commercial facilities. As a result of the measures above, the occupancy rate of the 38 assets under management as of the end of the fiscal period under review was 99.7%.

Recognizing that ESG initiatives will help increase unitholders' value, ESCON REIT and the Asset Manager continues to promote efforts to reduce environmental impact and revitalize local communities. In the 2021 GRESB Real Estate Assessment, ESCON REIT received a "2 Stars" in GRESB Rating, which is graded on a 5-point scale according to the global rating of GRESB Overall Score. It also won a "Green Star" designation by achieving high performance both in "Management Component" that evaluates policies and organizational structure for ESG promotion, and "Performance Component" that assesses environmental performance and tenant engagement of properties owned.

#### C. Procurement of funds

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

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

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

#### D. Performance and distributions

As a result of the management above, ESCON REIT posted operating revenue of 2,476 million yen, operating income of 1,506 million yen, ordinary income of 1,265 million yen and net income of 1,264 million yen for the fiscal period under review. With regard to distribution, ESCON REIT has decided to distribute the amount of 1,264,617,431 yen, which is roughly equivalent to the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,593 yen.

## ii. Outlook for next period

### A. Outlook for the overall management environment

Regarding the outlook for the Japanese economy, although the economy is expected to pick up due to the roll-out of vaccinations against COVID-19 and other factors, we need to pay close attention to the impact of the spread of infection, supply constraints, downside risks due to trends in raw material prices, and the effects of fluctuations in 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. However, we predict that prices will remain high as inquiries from overseas for Japanese real estate remain strong, and the influx of funds from outside Japan is expected to continue.

Under such circumstances, ESCON REIT will continue conduct appropriate asset management and stable, sound financial operations to secure solid revenue and steadily increase asset values over the medium to long term.

### B. Internal growth

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

#### a. Maintaining and increasing rent revenue

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

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

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

#### b. Streamlining management expenses

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

### C. External growth

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

### D. Financial policy

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

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

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

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

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

iii. Significant subsequent events

Not applicable.

iv. Outlook for the management status

ESCON REIT expects the management status for the fiscal periods ending July 31, 2022 and January 31, 2023 as shown below. For the assumptions about the management status, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying July 31, 2022 (from February 1, 2022 to July 31, 2022) and the Fiscal Period Underlying January 31, 2023 (from August 1, 2022 to January 31, 2023)” on page 6.

	Operating revenues	Operating income	Ordinary income	Net income	DPU (excluding distributions in excess of earnings)	Distributions in excess of earnings per unit	DPU (including distributions in excess of earnings)
11 <sup>th</sup> fiscal period ending July 31, 2022	2,420 million yen	1,330 million yen	1,211 million yen	1,210 million yen	3,440 yen	-	3,440 yen
12 <sup>th</sup> fiscal period ending January 31, 2023	2,444 million yen	1,325 million yen	1,154 million yen	1,153 million yen	3,276 yen	-	3,276 yen

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

Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending July 31, 2022 and Fiscal Period ending January 31, 2023

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> <li>◆ 11<sup>th</sup> fiscal period: February 1, 2022 to July 31, 2022 (181 days)</li> <li>◆ 12<sup>th</sup> fiscal period: August 1, 2022 to January 31, 2023 (184 days)</li> </ul>
Assets under management	<ul style="list-style-type: none"> <li>◆ For the forecast of financial results, it is assumed that ESCON REIT will continue to own the real estate beneficiary interests in 38 properties (hereinafter "acquired assets") already acquired up to the fiscal period ended January 31, 2022 that there will be no changes made to the assets under management such as acquisition of new properties and/or disposition of portfolio properties, etc. until the end of the period ending January 31, 2023.</li> <li>◆ Changes may arise due to the acquisition of new properties other than the Intended Acquisition Assets, disposition of portfolio properties, etc.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>◆ Real estate leasing revenue is calculated based on lease contracts effective as of the date of this document, taking into account tenant and market trends and other factors.</li> <li>◆ Operating revenue is based on the assumption that tenants will pay their rents without delinquency.</li> <li>◆ Operating revenue is based on the assumption that no gain/loss on sale of real estate will occur.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>◆ Of the real estate leasing business expenses which are the major operating expense, expenses excluding depreciation, are calculated based on past actual expenses, and reflect variable factors.</li> <li>◆ Property taxes and city planning taxes are expected to be 212 million yen for the fiscal period ending July 31, 2022 and 212 million yen for the fiscal period ending January 31, 2023.</li> <li>◆ As expenses for repairing buildings, the amount estimated based on the medium- and long-term repair plan created by the Asset Manager is accounted for. The actual repair expenses during a specific financial period may differ significantly from the expected amount, given that damage to buildings for unexpected reasons may give rise to emergency repair expenses, the amount generally varies considerably from fiscal period to fiscal period, and repair expenses do not fall under expenses that are regularly incurred.</li> <li>◆ Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc. and is expected to amount to 175 million yen in the fiscal period ending July 31, 2022 and 180 million yen in the fiscal period ending January 31, 2023.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>◆ Non-operating expenses for the period ending July 31, 2022 are estimated to be 118 million yen, of which 117 million yen is for interest expenses and other borrowing cost.</li> <li>◆ Non-operating expenses for the period ending January 31, 2023 are estimated to be 173 million yen, of which 172 million yen is for interest expenses and other borrowing cost.</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>◆ It is assumed that interest-bearing liabilities at the end of period ending July 31, 2022 and at the end of period ending January 31, 2023 will be 33,091 million yen.</li> <li>◆ LTV ratio is expected to be approximately 43.7% at the end of the period ending July 31, 2022, and approximately 43.8% at the end of the period ending January 31, 2023. The following formula was used to calculate LTV ratio:  <math display="block">\text{LTV ratio} = \text{Total interest-bearing liabilities} \div \text{Total assets} \times 100</math> </li> </ul>
Number of investment units	<ul style="list-style-type: none"> <li>◆ It is assumed that, in addition to the 351,967 units, no additional investment units will be issued before the end of the period ending January 31, 2023.</li> <li>◆ DPU (excluding distribution in excess of earnings) per unit for the period ending July 31, 2022 and period ending January 31, 2023 is calculated based on the anticipated number of investment units issued and outstanding totaling 351,967 units at the end of the period ending July 31, 2022 and period ending January 31, 2023.</li> </ul>
DPU (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>◆ DPU (excluding distribution in excess of earnings) is calculated based on the assumption that distributions will be conducted in accordance with the cash distribution policy provided in ESCON REIT's Articles of Incorporation.</li> <li>◆ DPU (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying changes in assets under management, changes in tenants, etc. or incurrence of unexpected repairs.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>◆ Even though it is possible for ESCON REIT to make cash distributions in excess of earnings in accordance with the Articles of Incorporation, ESCON REIT does not intend to make such cash distributions at this point in time when factoring in the ratio of capital expenditures to depreciation expenses and in order to maintain conservative financial management.</li> </ul>
Others	<ul style="list-style-type: none"> <li>◆ It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, listing rules of the Tokyo Stock Exchange, Inc., and rules of The Investment Trusts Association, Japan, etc. that will impact the forecasted figures above.</li> <li>◆ It is assumed that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>



(2) Investment Risk

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent Annual Securities Report (submitted October 28, 2021).

## 2. Financial Statements

### (1) Balance Sheet

(Unit: 1,000 yen)

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

(Unit: 1,000 yen)

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

## (2) Profit and Loss Statement

(Unit: 1,000 yen)

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

(3) Statements of Changes in Net Assets (Unitholders' Equity)  
Previous fiscal period (February 1, 2021 – July 31, 2021)

(Unit: 1,000 yen)

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

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

(Unit: 1,000 yen)

(Unit: 1,000 yen)

	Unitholders' equity				Total net assets
	Unitholders' capital / Total capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undisposed loss)	Total surplus		
Balance at the beginning of the period	28,439,581	1,001,208	1,001,208	29,440,790	29,440,790
Changes of items during the period					
The 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

## (4) Statements of Cash Dividend Distributions

(Unit: yen)

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

## (5) Cash Flow Statement

(Unit: 1,000 yen)

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

(6) Notes on Going Concern Assumptions  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation of noncurrent 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 6 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 6 years
Buildings	3 to 64 years						
Structures	12 to 63 years						
Furniture and fixtures	3 to 6 years						
2. Accounting for deferred assets	<p>(1) Organization expenses Organization expenses are amortized equally over a period of five years.</p> <p>(2) Investment unit issuance costs Issuance costs are expensed when incurred.</p>						
3. Accounting standards for revenues and expenses	<p>(1) Standards for revenue recognition The following is a description of ESCON REIT's main performance obligations with respect to revenues arising from contracts with customers and the normal time at which such performance obligations are satisfied (i.e., the normal time at which revenue is recognized).</p> <p>①Sales of real estate, etc. For sales of real estate, etc. revenue is recognized when the customer (i.e., the buyer) obtains control of the real estate, etc. as a result of our fulfillment of the delivery obligations stipulated in the sales contract for the real estate, etc.</p> <p>②Utilities charges received For utilities charges received, revenue is recognized according to the supply of electricity, water, etc. to the customer (i.e., the lessee) based on the lease agreement for the real estate, etc., and any accompanying agreements.</p> <p>(2) Accounting for property taxes, etc. With respect to property taxes, city planning taxes, depreciable asset taxes, etc. on real estate holdings, the amounts corresponding to the current fiscal period are treated as real estate business expenses.</p> <p>Following the acquisition of real estate or trust beneficiary interests in real estate, the amount equivalent to property taxes, etc. for the first year paid to the transferor as a settlement payment is not recorded as an expense, but is instead included in the acquisition cost for said real estate, etc. There was no amount equivalent to property taxes, etc. included in the acquisition costs for real estate, etc. during the previous and current fiscal periods. The amount equivalent to fixed asset tax, etc. included in the cost of acquisition of real estate, etc. in the fiscal period under review is 40,013 thousand yen.</p>						
4. Scope of funds in the statement of cash flows	<p>Funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.</p>						



5. Other bases for preparing financial statements	<p>(1) Accounting for trust beneficial interests in real estate as trust asset</p> <p>With regard to trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheet and the profit and loss statement.</p> <p>Of the trust assets accounted for under the respective account items, the following items of significance are separately indicated on the balance sheet.</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 trust</li> </ul> <p>(2) Accounting for consumption taxes</p> <p>The accounting for consumption taxes and local consumption taxes is tax exclusive. However, non-deductible consumption taxes on noncurrent assets are included in the acquisition cost of individual assets.</p>
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(8) Notes on changes in accounting policies

1. Application of accounting standard for revenue recognition, etc.

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

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

2. Application of accounting standard for fair value measurement, etc.

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

## (9) Notes to Financial Statements

[Note to Balance Sheets]

(Unit: 1,000 yen)

	Previous fiscal period (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
*1. Assets offered as security and liabilities on which security is established		
Assets offered as security are as follows.		
Cash and deposits in trust	2,405,085	-
Buildings in trust	8,375,534	-
Structures in trust	124,400	-
Tools, furniture and fixtures in trust	17,015	-
Land in trust	43,636,242	-
Total	54,558,279	-
Liabilities on which security is established are as follows.		
Current portion of long-term borrowings	9,960,000	-
Long-term borrowings	14,470,000	-
Total	24,430,000	-
*2. Minimum amount of net assets provided for in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations	50,000	50,000

[Notes to Profit and Loss Statements]

(Unit: 1,000 yen)

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

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

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

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

[Notes to Statement of Cash Flows]

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

(Unit: 1,000 yen)

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

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

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

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

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

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

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

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

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

Certain assumptions of fair value of financial instruments are used in the calculation of the values. Accordingly, there may be cases where the values will vary when different assumptions are used.

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

The carrying value, fair value, and difference between the carrying value and fair value as of July 31, 2021 are as follows. Notes to "Cash and deposits," "Cash and deposits in trust," and "Short-term loans payable" are omitted because the fair values approximate their books values due to cash and short-term settlements. In addition, notes to "Tenant lease and guarantee deposits in trust" are omitted because their amounts have little significance.

(Unit: 1,000 yen)

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

The carrying value, fair value, and difference between the carrying value and fair value as of January 31, 2022 are as follows. Notes to "Cash and deposits," "Cash and deposits in trust," and "Short-term loans payable" are omitted because the fair values approximate their books values due to cash and short-term settlements. In addition, notes to "Tenant lease and guarantee deposits in trust" are omitted because their amounts have little significance.

(Unit: 1,000 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	-

Notes:

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

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

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

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

(Unit: 1,000 yen)

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

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

(Unit: 1,000 yen)

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

[Notes to Tax Effect Accounting]

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

(Unit: 1,000yen)

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

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

(Unit: %)

	Previous fiscal period (As of July 31, 2021)	Current fiscal period (As of January 31, 2022)
Effective statutory tax rate	31.46	31.46
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.44)	(31.43)
Others	0.06	0.06
Burden rate of corporate taxes after applying tax effect accounting	0.08	0.09

[Notes to Real Estate for Lease]

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

(Unit: 1,000 yen)

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

Notes:

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

\*2 Of the changes during the period, most of the increase of the previous period was mainly due to capital expenditures for 5 properties, including Pare Marche Nishiharu etc. (44,298 thousand yen in total), while the decrease is mainly due to depreciation (126,341 thousand yen). The increase in the current fiscal period is mainly due to capital expenditures for 11 properties, including SUROY MALL Nagamine etc. (17,783,835 thousand yen in total), while the decrease is mainly due to depreciation (174,386 thousand yen).

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

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

[Notes to revenue recognition]

Breakdown of revenue from contracts with customers

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

(Unit: 1,000 yen)

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

\*1 Rent business revenue subject to ASBJ Statement No. 13 "Accounting Standard for Lease Transactions" is not included in "revenue from contracts with customers" because the Revenue Recognition Accounting Standard does not apply to such income. Revenue from contracts with customers mainly includes income from sales of real estate and utilities charges received.

\*2 For utilities charges received, the amounts stated are those recognized as revenue according to the supply of electricity, water, etc. to the customer (i.e., the lessee) based on the lease agreement for the real estate, etc., and any accompanying agreements.

[Notes to Per Unit Information]

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

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

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

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

		Previous fiscal period (February 1, 2021 – July 31, 2021)	Current fiscal period (August 1, 2021 – January 31, 2022)
Net income	(1,000 yen)	1,001,039	1,264,729
Amount not attributable to common unitholders	(1,000 yen)	—	—
Net income for common investment units	(1,000 yen)	1,001,039	1,264,729
Average number of investment units during the period	(Units)	282,982	351,199

[Notes to Significant Subsequent Events]

Not applicable.

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

Changes in the total amount of investment and the total number of investment units issued and outstanding for ESCON REIT since its establishment to January 31, 2022, are as follows.

Date	Summary	Total number of investment units Issued and outstanding(units)		Total amount of investment (thousand yen)		Remarks
		Increase	Balance	Increase	Balance	
August 26, 2016	Establishment through private placement	2,000	2,000	200,000	200,000	*1
February 13, 2017	Capital increase through private placement	7,500	9,500	750,000	950,000	*2
October 13, 2017	Investment unit split	500	10,000	—	950,000	*3
December 1, 2017	Capital increase	38,649	48,649	3,671,655	4,621,655	*4

	through private placement					
February 12, 2019	Capital increase through public offering	188,351	237,000	18,319,583	22,941,238	*5
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236,472	28,177,710	*6
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261,871	28,439,581	*7
August 2, 2021	Capital increase through public offering	65,700	348,682	9,207,263	37,646,845	*8
August 24, 2021	Capital increase through third-party allotment	3,285	351,967	460,363	38,107,208	*9

Notes:

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

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

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

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

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

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

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

\*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.

### 3. Reference Information

#### (1) Portfolio information

##### i . Status of investment

Asset type	Region	9 <sup>th</sup> fiscal period As of July 31, 2021		10 <sup>th</sup> fiscal period As of January 31, 2022	
		Total amount owned (million yen) *1	Ratio to total assets (%) *2	Total amount owned (million yen) *1	Ratio to total assets (%) *2
Real estate in trust	Tokyo metropolitan area	7,788	13.9	7,779	10.3
	Kinki metropolitan area	26,633	47.5	34,393	45.4
	Chukyo metropolitan area	5,058	9.0	5,035	6.6
	Fukuoka metropolitan area	10,537	18.8	10,537	13.9
	Other area	2,136	3.8	12,043	15.9
Total real estate in trust		52,153	93.0	69,790	92.0
Deposits and other assets		3,908	7.0	6,0500	8.0
Total assets		56,061	100.0	75,840	100.0

	Amount (million yen)	Ratio to total assets (%) *2	Amount (million yen)	Ratio to total assets (%) *2
Total liabilities	26,620	47.5	36,468	48.1
Total net assets	29,440	52.5	39,371	51.9

Notes:

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

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

##### ii . Investment assets

#### A. Major investment securities

Not applicable.

#### B. Investment properties

Not applicable.



C. Other major investment assets

a. Overview of assets owned

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

(As of January 31, 2022)

Property number *1	Property name	Location	Acquisition price (million yen) *2	Book value (million yen) *3	Appraisal value at the end of the period (million yen) *4	Appraiser
ST-1	Asumigaoka Brand-New Mall (including Asumigaoka (Leasehold land))	Chiba-shi, Chiba	3,200	3,214	3,380 296	The Tanizawa Sogo Appraisal Co., Ltd.
ST-2	Nishi-shiroi Ekimae Plaza	Shiroi-shi, Chiba	451	452	468	Daiwa Real Estate Appraisal Co., Ltd.
SS-1	K's Denki Oyumino (Leasehold land)	Chiba-shi, Chiba	2,710	2,737	2,880	JLL Morii Valuation & Advisory KK
SS-2	Nitori Tsuchiura (Leasehold land)	Tsuchiura-shi, Ibaraki	999	1,007	1,090	JLL Morii Valuation & Advisory KK
SS-3	Nitori Imaichi (Leasehold land)	Nikko-shi, Tochigi	363	368	407	JLL Morii Valuation & Advisory KK
KT-1	tonarie Minami-senri	Suita-shi, Osaka	7,200	7,174	8,010	The Tanizawa Sogo Appraisal Co., Ltd.
KT-2	tonarie Seiwadai	Kawanishi-shi, Hyogo	3,290	3,211	3,400	Daiwa Real Estate Appraisal Co., Ltd.
KT-3	tonarie Yamatotakada (ownership 50%)	Yamatotakada-shi, Nara	4,150	4,126	4,075	JLL Morii Valuation & Advisory KK
KT-4	tonarie Toga・Mikita	Sakai-shi, Osaka	6,986	6,962	7,120	Daiwa Real Estate Appraisal Co., Ltd.
KS-1	LAMU Kitatsumori (Leasehold land)	Osaka-shi, Osaka	1,270	1,284	1,480	JLL Morii Valuation & Advisory KK
KS-2	K's Denki Nishi-kobe (Leasehold land)	Kobe-shi, Hyogo	2,133	2,154	2,470	JLL Morii Valuation & Advisory KK
KS-3	Sanyo Marunaka Mitani (Leasehold land)	Kobe-shi, Hyogo	1,430	1,443	1,530	JLL Morii Valuation & Advisory KK
KS-4	Tsutaya Sakai-minami (Leasehold land)	Sakai-shi, Osaka	946	955	1,030	JLL Morii Valuation & Advisory KK
KS-5	LIFE Daisen (Leasehold land)	Sakai-shi, Osaka	2,733	2,758	3,060	Daiwa Real Estate Appraisal Co., Ltd.
KS-6	TRIAL Omihachiman (Leasehold land)	Omihachiman-shi, Shiga	1,010	1,019	1,100	JLL Morii Valuation & Advisory KK
KS-7	Kusuri no Aoki Ikaruga (Leasehold land) *5	Ikoma-gun, Nara	711	718	(1) 702 (2) 28	JLL Morii Valuation & Advisory KK
KS-8	DRUG Yutaka Mukokamiueno (Leasehold land)	Muko-shi, Kyoto	460	464	477	JLL Morii Valuation & Advisory KK
KS-9	WELCIA Amagasaki Mukomotomachi (Leasehold land)	Amagasaki-shi, Hyogo	565	571	577	The Tanizawa Sogo Appraisal Co., Ltd.
KS-10	Cocokara Fine Neyagawakoen (Leasehold land)	Neyagawa-shi, Osaka	702	709	716	The Tanizawa Sogo Appraisal Co., Ltd.
KS-11	ENEOS Ikawadani SS (Leasehold land)	Kobe-shi, Hyogo	530	535	531	The Tanizawa Sogo Appraisal Co., Ltd.
KS-12	GEO Hikone Takamiya (Leasehold land)	Hikone-shi, Shiga	300	304	306	The Tanizawa Sogo Appraisal Co., Ltd.

TT-1	Pare Marche Nishiharu	Kitanagoya-shi, Aichi	4,610	4,552	4,400	Daiwa Real Estate Appraisal Co., Ltd.
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	Nabari-shi, Mie	477	483	539	JLL Morii Valuation & Advisory KK
FS-1	MrMAX Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	3,387	3,428	3,930	The Tanizawa Sogo Appraisal Co., Ltd.
FS-2	UNIQLO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	595	601	668	The Tanizawa Sogo Appraisal Co., Ltd.
FS-3	Avail.Shimamura Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	863	874	1,100	The Tanizawa Sogo Appraisal Co., Ltd.
FS-4	au-Softbank Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	143	145	160	The Tanizawa Sogo Appraisal Co., Ltd.
FS-5	Kura Sushi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	261	264	304	The Tanizawa Sogo Appraisal Co., Ltd.
FS-6	docomo Shop Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	160	163	182	The Tanizawa Sogo Appraisal Co., Ltd.
FS-7	Konpira Maru Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	236	239	265	The Tanizawa Sogo Appraisal Co., Ltd.
FS-8	One-Karubi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	236	239	265	The Tanizawa Sogo Appraisal Co., Ltd.
FS-9	Suke-san Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	401	405	423	The Tanizawa Sogo Appraisal Co., Ltd.
FS-10	NAFCO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	2,631	2,666	3,420	The Tanizawa Sogo Appraisal Co., Ltd.
FS-11	K's Denki Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1,487	1,506	1,840	The Tanizawa Sogo Appraisal Co., Ltd.
OT-1	SUROY MALL Nagamine	Kumamoto-shi, Kumamoto	4,600	4,628	4,650	JLL Morii Valuation & Advisory KK
OT-2	Fuji Grand Natalie	Hatsukaichi-shi, Hiroshima	3,950	3,968	4,100	Daiwa Real Estate Appraisal Co., Ltd.
OS-1	K's Denki Kurashiki (Leasehold land)	Kurashiki-shi, Okayama	2,121	2,136	2,440	JLL Morii Valuation & Advisory KK
OS-2	YAMADA DENKI Tecc Land Sapporo Shiroishi	Sapporo-shi, Hokkaido	1,300	1,310	1,330	The Tanizawa Sogo Appraisal Co., Ltd.
	Total		69,604	69,790	75,149	

Notes:

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

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

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

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

\*5 The Property has fixed-term business-use land lease agreements. with two lessees, Kusuri no Aoki Co., Ltd. and Ikaritombo Co., Ltd. and the "Acquisition price" and "Book value" are the sum of the amounts for the two lessees. In addition, "Appraisal value at end of period" shows the portion pertaining to Kusuri no Aoki Co., Ltd. as (1) and the portion pertaining to Ikaritombo Co., Ltd. as (2).

b. Overview of lease

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

(As of January 31, 2022)

Property number	Property name	Total number of tenants *1	Rentable area (m <sup>2</sup> ) *2	Leased area (m <sup>2</sup> ) *2	Occupancy rate (%) *3	Real estate rent business revenue (million yen) *4	Ratio to total rent revenue (%)
ST-1	Asumigaoka Brand-New Mall	30	22,480.50	22,412.01	99.7	244	9.9
	Asumigaoka Brand-New Mall(Leasehold land)	2	2,672.67	2,672.67	100.0		
ST-2	Nishi-shiroi Ekimae Plaza	4	969.72	969.72	100.0	21	0.9
SS-1	K's Denki Oyumino (Leasehold land)	1	23,379.50	23,379.50	100.0	70	2.8
SS-2	Nitori Tsuchiura (Leasehold land)	1	10,312.00	10,312.00	100.0	Not disclosed *6	Not disclosed *6
SS-3	Nitori Imaichi (Leasehold land)	1	10,236.00	10,236.00	100.0	Not disclosed *6	Not disclosed *6
KT-1	tonarie Minami-senri	45	7,535.16	7,535.16	100.0	328	13.2
KT-2	tonarie Seiwadai	33	8,798.01	8,798.01	100.0	184	7.5
KT-3	tonarie Yamatotakada (ownership 50%)	63	14,399.77	13,428.58	93.3	167	6.8
KT-4	tonarie Toga・Mikita	32	8,471.24	8,471.24	100.0	257	10.4
KS-1	LAMU Kitatsumori (Leasehold land)	1	11,677.03	11,677.03	100.0	38	1.5
KS-2	K's Denki Nishi-kobe (Leasehold land)	1	9,787.68	9,787.68	100.0	62	2.5
KS-3	Sanyo Marunaka Mitani (Leasehold land)	1	9,610.80	9,610.80	100.0	Not disclosed *6	Not disclosed *6
KS-4	Tsutaya Sakai-minami (Leasehold land)	1	4,406.04	4,406.04	100.0	21	0.9
KS-5	LIFE Daisen (Leasehold land)	1	9,264.48	9,264.48	100.0	72	2.9
KS-6	TRIAL Omihachiman (Leasehold land)	1	17,268.43	17,268.43	100.0	Not disclosed *6	Not disclosed *6
KS-7	Kusuri no Aoki Ikaruga (Leasehold land) *5	2	(1)8,026.81 (2)459.97	(1)8,026.81 (2)459.97	100.0	Not disclosed *6	Not disclosed *6
KS-8	DRUG Yutaka Mukokamiueno (Leasehold land)	1	1,839.21	1,839.21	100.0	Not disclosed *6	Not disclosed *6
KS-9	WELCIA Amagasaki Mukomotomachi (Leasehold land)	1	1,491.47	1,491.47	100.0	Not disclosed *6	Not disclosed *6
KS-10	Cocokara Fine Neyagawakoen (Leasehold land)	1	2,728.00	2,728.00	100.0	Not disclosed *6	Not disclosed *6
KS-11	ENEOS Ikawadani SS (Leasehold land)	1	2,634.83	2,634.83	100.0	Not disclosed *6	Not disclosed *6
KS-12	GEO Hikone Takamiya (Leasehold land)	1	2,237.60	2,237.60	100.0	Not disclosed *6	Not disclosed *6
TT-1	Pare Marche Nishiharu	56	26,432.58	26,397.85	99.9	161	6.5
TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	1	9,025.88	9,025.88	100.0	Not disclosed *6	Not disclosed *6
FS-1	MrMAX Kasuga (Leasehold land)	1	38,113.27	38,113.27	100.0	84	3.4
FS-2	UNIQLO Kasuga (Leasehold land)	1	5,426.59	5,426.59	100.0	13	0.6

FS-3	Avail.Shimamura Kasuga (Leasehold land)	1	8,752.57	8,752.57	100.0	23	0.9
FS-4	au-Softbank Kasuga (Leasehold land)	1	1,200.84	1,200.84	100.0	3	0.2
FS-5	Kura Sushi Kasuga (Leasehold land)	1	2,257.85	2,257.85	100.0	7	0.3
FS-6	docomo Shop Kasuga (Leasehold land)	1	1,358.76	1,358.76	100.0	4	0.2
FS-7	Konpira Maru Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
FS-8	One-Karubi Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
FS-9	Suke-san Kasuga (Leasehold land)	1	3,126.16	3,126.16	100.0	10	0.4
FS-10	NAFCO Kasuga (Leasehold land)	1	33,928.37	33,928.37	100.0	Not disclosed *6	Not disclosed *6
FS-11	K's Denki Kasuga (Leasehold land)	1	16,961.48	16,961.48	100.0	37	1.5
OT-1	SUROY MALL Nagamine	24	12,615.46	12,383.36	98.2	172	7.0
OT-2	Fuji Grand Natalie	1	28,543.96	28,543.96	100.0	Not disclosed *6	Not disclosed *6
OS-1	K's Denki Kurashiki (Leasehold land)	1	11,433.38	11,433.38	100.0	Not disclosed *6	Not disclosed *6
OS-2	YAMADA DENKI Tecc Land Sapporo Shiroishi	1	8,154.00	8,154.00	100.0	Not disclosed *6	Not disclosed *6
	Total	320	401,985.03	400,678.52	99.7	2,476	100.0

Notes:

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

\*2 "Leasable Area" is the sum of the areas of the lease agreements for the buildings (or the leasehold land, if the acquired assets are leasehold land) of the acquired assets as of July 31, 2021, and "Leased Area" is the sum of the leased areas indicated in the respective lease agreements as of the same date, rounded to the second decimal place.

The Leasable Area for Pare Marche Nishiharu is based on the leased area in the completion drawing, etc. for certain lease contracts where the leased area is not stated. Furthermore, the Leasable Area and Leased Area for tonarie Yamatotakada (ownership 50%) are based on the area in the completion drawing, etc. 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.

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

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

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

\* 5 The Property has fixed-term business-use land lease agreements. with two lessees, Kusuri no Aoki Co., Ltd. and Ikaritombo Co., Ltd, and the "Acquisition price" and "Book value" are the sum of the amounts for the two lessees. In addition, "Appraisal value at end of period" shows the portion pertaining to Kusuri no Aoki Co., Ltd. as (1) and the portion pertaining to Ikaritombo Co., Ltd. as (2).

\* 6 The figure is not disclosed because no consent to disclosure is obtained from tenants and other parties.

## (2) Capital expenditures

### ①Schedule of capital expenditures

There is no current plan of repair work applicable to the capital expenditure on the assets owned as of January 31, 2022.

### ②Capital expenditures during the period

There is no repair work applicable to the capital expenditure in current fiscal period on the assets owned as of January 31, 2022.