

Financial Report for the Fiscal Period Ended January 31, 2024 (REIT)

March 15, 2024

REIT Issuer: ESCON JAPAN REIT Investment Corporation
Securities Code: 2971
Representative: Tadashi Ebihara, Executive Director

Stock Exchange Listing: TSE
URL: <https://www.escon-reit.jp/>

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Scheduled date of commencement of distribution payments: April 25, 2024

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, 2024 (From August 1, 2023 to January 31, 2024)

(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	%
FP2024/1	2,444	(2.1)	1,274	1.5	1,136	(0.4)	1,135	(0.3)
FP2023/7	2,497	(1.7)	1,255	(7.8)	1,140	(4.5)	1,139	(38.7)

	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	%	%	%
FP2024/1	3,227	2.9	1.5	46.5
FP2023/7	3,239	2.9	1.5	45.7

* Net income per unit is calculated by dividing net income by the weighted average number of investment units based on the number of days (351,967 units for the fiscal period ended July 31, 2023, and 351,967 units for the fiscal period ended January 31, 2024) and rounded to the nearest whole number.

(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	%	%
FP2024/1	3,227	1,135	—	—	100.0	2.9
FP2023/7	3,238	1,139	—	—	100.0	2.9

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
	million yen	million yen	%	yen
FP2024/1	75,530	39,243	52.0	111,497
FP2023/7	75,595	39,247	51.9	111,507

(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
FP2024/1	1,326	(86)	(1,142)	5,770
FP2023/7	1,273	(101)	(1,858)	5,672

2. Management Status Forecasts for the Fiscal Period Ending July 31, 2024 (From February 1, 2024 to July 31, 2024), and the Fiscal Period Ending January 31, 2025 (From August 1, 2024 to January 31, 2025).

[% 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
FP2024/7	2,454	0.4	1,232	(3.3)	1,102	(3.0)	1,101	(3.0)	3,130	—
FP2025/1	2,613	6.5	1,261	2.3	1,118	1.4	1,117	1.4	3,174	—

(Reference) Estimated net income per unit: Estimated net income / Estimated the number of investment units at end of period

FP2024/7: 3,130 yen

FP2025/1: 3,174 yen

*** Others**

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

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

(2) Total Number of Investment Units Issued and Outstanding

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

FP2024/1	351,967 units	FP2023/7	351,967 units
FP2024/1	0 units	FP2023/7	0 units

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

*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 21

(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, 2024 (From February 1, 2024 to July 31, 2024), and the Fiscal Period ending January 31, 2025 (From August 1, 2024 to January 31, 2025)” on page 6 and 7.

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1. Operations

(1) Operations

i. Overview of the Current Fiscal Period

A. Brief background of the REIT

ESCON REIT was established on August 26, 2016, with the Asset Manager as the organizer, based on the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter the “Investment Trust Act”), and listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on February 13, 2019 (securities code: 2971). ESCON REIT has built a portfolio prioritizing investments of lifestyle-focused commercial facilities*¹ rooted in local communities in the major metropolitan areas and its leasehold land*² where the population is expected to be concentrated.

ESCON REIT believes that, as the population declines and the people in the major metropolitan areas are continued to be more concentrated, the demand to live in highly convenient major cities or areas with easy access to large cities will remain stable. ESCON REIT also believes that in order to support affluent lifestyles for people living in these areas, ESCON REIT requires “Residence”*³ and assets aimed at creating a sustainable society, which is expected to solve diverse social issues in everyday life that affect local communities, such as declining birth rates, aging populations, environmental and energy issues, labor and education issues, and problems wrought by natural disasters, in addition to the commercial facilities*⁴ and leasehold land. At the general meeting of unitholders held on October 27, 2023, these assets were presented and defined as “lifestyle-focused assets”*⁵, and the investment policy was changed by expanding the investment target to lifestyle-focused assets located mainly in the five major metropolitan areas*⁶.

Based on the investment policy described above, ESCON REIT aims to maximize unitholder value through consistently expanding our assets under management. 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.

*1. A “lifestyle-focused commercial facility” refers to a commercial facility supplying goods and services needed for daily life that is directly connected to a railway station or located in a densely populated area or on an arterial road or in other areas of daily life. The same applies hereinafter.

*2. “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.

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

*4. “Commercial Facility” refers to real estate occupied mainly by commercial tenants, such as retailers, restaurants, cafes, service providers and amusement facility operators, in which for each floor in the building the largest floor space is devoted for commercial tenant use.

*5. “Lifestyle-focused assets” refers to commercial facilities, residences, and assets aimed at creating a sustainable society, and leasehold land.

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

B. Operating environment and Management performance

During the current fiscal period, the Japanese economy has begun normalizing in terms of socioeconomic activities with the lifting of restrictions imposed by the COVID-19 pandemic, and the real GDP growth rate for the October to December 2023 period (second preliminary report) has shown signs of recovery at 0.1% (annualized 0.4%).

The economy is at a temporary standstill with low personal consumption due to nominal wage increases not keeping up with the pace of price hikes, which has resulted in restrained spending on dining out and clothing. On a positive note, the consumption demand from inbound tourists remains high, and wage increases exceeding those of the previous year are expected during the spring wage negotiations of 2024, leading to an anticipated shift back toward gradual recovery. The risk of a downturn in the global economy due to the impact of global financial tightening and concerns over the future of the Chinese economy among other factors requires attention, necessitating close monitoring of future price hikes, the situation in the Middle East, and fluctuations in the financial and capital markets.

With the gradual economic recovery and low interest rate financial markets, and the end of the negative interest rate policy being postponed, the real estate investment market has continued to see strong interest in acquisition among investors despite different views of certain asset types and areas in the market being overheated.

While ESCON REIT has not bought or sold new properties under the current market conditions, we continue to focus on building an environment that will satisfy both tenants and customers visiting our commercial facilities. We are implementing proper asset management and revenue-enhancement measures by proactively attracting tenants to vacant properties, replacing tenants when leases expire, and holding events in line with the current trends at our facilities, in an effort to ensure stable earnings.

As a result of the measures described above, the occupancy rate for the 38 assets under management as of the end of the current fiscal period came at 99.3%*¹. For the third floor of Yoshizuya Y Store Nishiharu, which remained vacant at end of the fiscal period, we will continue to focus in leasing out the space. The rent per tsubo for the floor area will increase as tenants occupy the space.

In the October 2023 GRESB Real Estate Assessment report, ESCON REIT received a “1 Star” GRESB Rating based on the “GRESB Overall Score” and a top quintile rating including global participants. ESCON REIT also obtained a “Green Star” designation for the third year in a row by achieving high performances in the “Management Component” that evaluates 3 policies and organizational structure for ESG promotion, and “Performance Component” that assesses environmental performance and tenant engagement of

owned properties. ESG initiatives have been recognized in increasing unitholders' value, and ESCON REIT and the Asset Manager continue to promote efforts to reduce the impact on the environment and revitalize the local communities.

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

Occupancy rate = Leased area / Leasable area *100

Yoshizuya Y Store Nishiharu consists of a commercial building and a residential building. The commercial building is subleased to YOSHIKUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the occupancy rate is calculated including the "leased area" on the third floor, which was vacant as of the end of the fiscal period. Taking into account the fact that the floor is vacant, the occupancy rate after deducting the "leased area" would be 98.2%.

C. Procurement of funds

During the current fiscal period, in order to refinance 4,610 million yen in loans maturing on January 31, 2024, we borrowed the same amount of 4,610 million yen on the same date. In addition, an interest rate swap transaction was entered to fix interest rate payments and hedge interest rate fluctuation risks pertaining to the long-term borrowings (1,876 million yen). The balance of interest-bearing debt as of the end of the current fiscal period became 33,091 million yen, and the ratio of interest-bearing debt to total assets (hereinafter, "LTV") became 43.8%.

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

D. Performance and distributions

Based on the management actions described above, ESCON REIT posted operating revenue of 2,444 million yen, operating income of 1,274 million yen, ordinary income of 1,136 million yen and net income of 1,135 million yen for the current fiscal period.

For distributions, ESCON REIT decided to distribute an amount of 1,135 million yen as an earnings distribution, which is approximates the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,227 yen.

E. Governance Structure of ESCON REIT and the Asset Manager

The Company received an administrative disposition from the Financial Services Agency on July 15, 2022, and the Asset Manager implemented various measures and established a governance structure for the management of ESCON REIT. At the end of the previous fiscal period, the administrative disposition against the Asset Manager was lifted.

Specifically, the Asset Manager implemented the following initiatives, announcement of the "Compliance Declaration", establishment of "Management Philosophy", change in decision-making process for property acquisitions to strengthen governance structure, acceptance of dispatched director from Chubu Electric Power, change to the ordering work rules of real estate appraisal services, improving the various regulations and the manuals, strengthen monitoring of operations for the ordering of real estate appraisals by the Compliance Department, training and awareness-raising for ongoing improvement of the conflict-of-interest management system.

With the appointment of a new executive director who has no relationship of special interest with ESCON REIT and the appointment of the Asset Manager at the general meeting of unitholders held on October 27, 2023, the Board of Directors of ESCON REIT is now composed of one executive director and two supervisory directors who have no relationship of special interest with the Asset Manager.

ESCON REIT and the Asset Manager will continue to maintain and actively improve the governance structure described above, ensure the operational integrity of ESCON REITe structure.

ii. Outlook for next period

A. Outlook for the overall management environment

Individual consumption and capital investments have rebounded after the easing of regulations caused by the COVID-19.

Despite the decline in purchasing power due to price hikes, and supply constraints due to a shortage of workers, the current economic situation is expected to improve from the continued inbound demand, improved corporate earnings, especially among large entities, and an improving stock market.

However, the impact of price hikes, especially real estate prices, interest rates, and exchange rate fluctuations will continuously need to be monitored.

Under these circumstances, ESCON REIT will acquire and properly manage assets closely related to lifestyles 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.

B. Internal growth in pursuit of lease revenue growth potential

ESCON REIT conducts satisfaction surveys to improve operations for facility users and tenant companies may comfortably use our facilities. We will plan and execute strategies aimed at improving the convenience and frequency of facility use and increase the recognition of properties and areas to achieve steady internal growth for our assets.

a. Initiatives to improve lease revenue

ESCON REIT aims to maintain and improve lease revenue for its entire portfolio by implementing appropriate operational measures for each held asset, including early and optimal tenant attraction considering the rental market and overall tenant composition, and hosting events to increase foot traffic. In addition, ESCON REIT will regularly review maintenance and management expenses related to rental management, and initiatives to improve tenant and customer satisfaction.

b. Initiatives to increase asset value

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

C. External growth pursuing portfolio stability and growth potential

ESCON REIT will use its strong sponsor pipeline, including granting preferential negotiation rights related to owned real estate properties and support for the redevelopment of properties based on the real estate development capabilities of ES-CON JAPAN a comprehensive developer^{*1}, as well as thoroughly managing conflicts of interest to environmentally friendly technologies and know-how on energy cost reduction through their partnership with the Chubu Electric Power Group. (Chubu Electric Power and its subsidiaries and affiliates, excluding ES-CON JAPAN and its subsidiaries and affiliates. The same applies hereinafter.). The Asset Manager also established an Investment Marketing Department on June 14, 2023, aimed at enhancing its unique property acquisition routes to actively acquire high-quality properties from third parties by continuously acquiring outside information on property in addition to information from our sponsors ES-CON JAPAN and Chubu Electric Power Group, aiming to expand ESCON REIT's asset size, improve the quality of our portfolio, and achieve steady external growth.

^{*1} As used in this document, a "Comprehensive developer" means a developer that engages in a wide range of real estate development projects, such as condominiums, detached houses, commercial facilities, hotels, and logistics facilities; in other words, a developer that engages in development efforts comprehensively as a business.

D. 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.

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, 2024 and January 31, 2025 as shown below. For the assumptions about the management status, refer to "Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending July 31, 2024 (From February 1, 2024 to July 31, 2024), and the Fiscal Period ending January 31, 2025 (From August 1, 2024 to January 31, 2025)" on page 6-7.

	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)
15th fiscal period ending July 31, 2024	2,454 million yen	1,232 million yen	1,102 million yen	1,101 million yen	3,130 yen	-	3,130 yen

16th fiscal period ending January 31, 2025	2,613 million yen	1,261 million yen	1,118 million yen	1,117 million yen	3,174 yen	-	3,174 yen
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*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, 2024 (From February 1, 2024 to July 31, 2024), and the Fiscal Period ending January 31, 2025 (From August 1, 2024 to January 31, 2025)

Item	Assumptions
Calculation period	<ul style="list-style-type: none"> 15th fiscal period: February 1, 2024 to July 31, 2024 (182 days) 16th fiscal period: August 1, 2024 to January 31, 2025 (184 days)
Assets under management	<ul style="list-style-type: none"> For the forecast of financial results, it is assumed that ESCON REIT will continue to own the real estate beneficiary interests in 38 properties already acquired up to the fiscal period ended January 31, 2024 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, 2025. Changes may arise due to the acquisition of new properties other than the Intended Acquisition Assets, disposition of portfolio properties, etc.
Operating revenue	<ul style="list-style-type: none"> 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. Operating revenue is based on the assumption that tenants will pay their rents without delinquency. Operating revenue is based on the assumption that no gain/loss on sale of real estate will occur. Utilities charges received are expected to be 260 million yen for the fiscal period ending July 31, 2024 and 301 million yen for the fiscal period ending January 31, 2025.
Operating expenses	<ul style="list-style-type: none"> Of the real estate leasing business expenses which are the major operating expenses, expenses excluding depreciation, are calculated based on past actual expenses, and reflect variable factors. Property taxes and city planning taxes are expected to be 223 million yen for the fiscal period ending July 31, 2024 and 223 million yen for the fiscal period ending January 31, 2025. Utilities charges are expected to be 279 million yen for the fiscal period ending July 31, 2024 and 322 million yen for the fiscal period ending January 31, 2025. Non-life insurance premiums are expected to be 10 million yen for the fiscal period ending July 31, 2024 and 10 million yen for the fiscal period ending January 31, 2025. Expenses for repairing buildings are expected to be 57 million yen for the fiscal period ending July 31, 2024 and 104 million yen for the fiscal period ending January 31, 2025. 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. Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc. and is expected to amount to 190 million yen for the fiscal period ending July 31, 2024 and 193 million yen for the fiscal period ending January 31, 2025. In accordance with accounting standards for the impairment of fixed assets, we assume that no impairment loss will be recorded.
Non-operating expenses	<ul style="list-style-type: none"> Non-operating expenses for the period ending July 31, 2024 are estimated to be 130 million yen, of which 130 million yen is for interest expenses and other borrowing cost. Non-operating expenses for the period ending January 31, 2025 are estimated to be 143 million yen, of which 143 million yen is for interest expenses and other borrowing cost.
Borrowings	<ul style="list-style-type: none"> It is assumed that interest-bearing liabilities at the end of period ending July 31, 2024 and at the end of period ending January 31, 2025 will be 33,091 million yen. LTV ratio is expected to be approximately 43.8% at the end of the period ending July 31, 2024 and 43.7% at the end of the period ending January 31, 2025. LTV ratio: Total interest-bearing liabilities / Total assets *100
Number of investment units	<ul style="list-style-type: none"> 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, 2025. DPU (excluding distribution in excess of earnings) per unit for the period ending July 31, 2024 and period ending January 31, 2025 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, 2024 and period ending January 31, 2025.
DPU (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> 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. 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.
Distributions in excess of earnings per	<ul style="list-style-type: none"> 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

unit	expenses and in order to maintain conservative financial management.
Others	<ul style="list-style-type: none"> • 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. • It is assumed that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.

(2) Investment Risk

No disclosure necessary, since there have been no material changes from “Investment risk” in the most recent periodic securities report (submitted October 27, 2023).

2. Financial Statements

(1) Balance Sheets

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2023	Current fiscal period As of January 31, 2024
Assets		
Current assets		
Cash and deposits	2,318,451	2,308,510
Cash and deposits in trust	3,354,221	3,461,980
Operating accounts receivable	100,249	55,548
Prepaid expenses	82,599	88,744
Total current assets	5,855,522	5,914,784
Non-current assets		
Property, plant and equipment		
Buildings	7,063	7,063
Accumulated depreciation	(1,011)	(1,375)
Buildings, net	6,052	5,688
Buildings in trust	12,759,582	12,812,723
Accumulated depreciation	(1,233,647)	(1,412,184)
Buildings in trust, net	11,525,935	11,400,538
Structures in trust	146,945	146,945
Accumulated depreciation	(35,087)	(38,672)
Structures in trust, net	111,858	108,273
Tools, furniture and fixtures in trust	44,922	64,912
Accumulated depreciation	(17,485)	(22,527)
Tools, furniture and fixtures in trust, net	27,436	42,385
Land in trust	57,914,000	57,914,000
Total property, plant and equipment	69,585,282	69,470,886
Intangible assets		
Trademarks	502	448
Other	982	165
Total intangible assets	1,484	614
Investment and other assets		
Leasehold and guarantee deposits	10,000	10,000
Long-term prepaid expenses	143,059	134,650
Deferred tax assets	2	3
Total investments and other assets	153,061	144,653
Total noncurrent assets	69,739,829	69,616,154
Total assets	75,595,352	75,530,938

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2023	Current fiscal period As of January 31, 2024
Liabilities		
Current liabilities		
Operating accounts payable	199,417	101,431
Current portion of long-term borrowings	4,610,000	2,386,000
Accounts payable - other	15,698	73,564
Accrued expenses	163,112	165,140
Income taxes payable	655	676
Accrued consumption taxes	31,343	27,080
Advances received	334,062	331,039
Deposits received	2,592	599
Total current liabilities	5,356,882	3,085,533
Non-current liabilities		
Long-term borrowings	28,481,000	30,705,000
Tenant lease and guarantee deposits in trusts	2,510,386	2,497,129
Total non-current liabilities	30,991,386	33,202,129
Total liabilities	36,348,269	36,287,662
Net assets		
Unitholders' equity		
Unitholders' capital	38,107,208	38,107,208
Surplus		
Unappropriated retained earnings (undisposed loss)	1,139,874	1,136,067
Total surplus	1,139,874	1,136,067
Total unitholders' equity	39,247,083	39,243,276
Total net assets	*1 39,247,083	*1 39,243,276
Total liabilities and net assets	75,595,352	75,530,938

(2) Statements of Income and Retained Earnings

(Unit: thousand yen)

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Operating revenues		
Leasing business revenue	* ¹ 2,193,842	* ¹ 2,189,210
Other leasing business revenue	* ¹ 303,889	* ¹ 255,375
Total operating revenue	2,497,731	2,444,586
Operating expenses		
Expenses related to leasing business	* ¹ 1,034,941	* ¹ 947,809
Asset management fees	137,049	139,141
Asset custodian fees	3,664	3,648
Administrative service fees	11,698	12,209
Remuneration for director (and other officers)	2,700	4,500
Taxes and public dues	9,214	10,592
Other operating expenses	42,962	51,776
Total operating expenses	1,242,231	1,169,677
Operating income	1,255,499	1,274,908
Non-operating income		
Interest income	27	27
Gain on forfeiture of unclaimed dividends	719	729
Total non-operating income	746	756
Non-operating expenses		
Interest expenses	80,653	81,326
Financing fees	33,686	57,795
Other	1,370	-
Total non-operating expenses	115,709	139,122
Ordinary income	1,140,536	1,136,542
Income before income taxes	1,140,536	1,136,542
Income taxes-current	659	680
Income taxes-deferred	26	(1)
Total income taxes	686	679
Net income	1,139,850	1,135,862
Retained earnings bought forward	24	205
Unappropriated retained earnings (undisposed loss)	1,139,874	1,136,067

(3) Statements of Unitholders' Equity

Previous fiscal period (From February 1, 2023 to July 31, 2023)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undispensed loss)	Total surplus		
Balance at the beginning of the period	38,107,208	1,859,465	1,859,465	39,966,674	39,966,674
Changes of items during the period					
Dividends from surplus	-	(1,859,441)	(1,859,441)	(1,859,441)	(1,859,441)
Net income	-	1,139,850	1,139,850	1,139,850	1,139,850
Total changes of items during the period	-	(719,591)	(719,591)	(719,591)	(719,591)
Balance at the end of the period	*1 38,107,208	1,139,874	1,139,874	39,247,083	39,247,083

Current fiscal period (From August 1, 2023 to January 31, 2024)

(Unit: thousand yen)

	Unitholders' equity				Total net assets
	Unitholders' capital	Surplus		Total unitholders' equity	
		Unappropriated retained earnings (or undispensed loss)	Total surplus		
Balance at the beginning of the period	38,107,208	1,139,874	1,139,874	39,247,083	39,247,083
Changes of items during the period					
Dividends from surplus	-	(1,139,669)	(1,139,669)	(1,139,669)	(1,139,669)
Net income	-	1,135,862	1,135,862	1,135,862	1,135,862
Total changes of items during the period	-	(3,806)	(3,806)	(3,806)	(3,806)
Balance at the end of the period	*1 38,107,208	1,136,067	1,136,067	39,243,276	39,243,276

(4) Statements of Cash Dividend Distributions

(Unit: yen)

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
I . Unappropriated retained earnings	1,139,874,269	1,136,067,579
II . Distributions	1,139,669,146	1,135,797,509
(Distributions per unit)	(3,238)	(3,227)
III . Retained earnings carried forward	205,123	270,070
How distributions were calculated	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESCON REIT has decided to distribute 1,139,669,146 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>Furthermore, ESCON REIT will not distribute cash in excess of earnings as provided in Article 36, Paragraph 2 of the Articles of Incorporation.</p>	<p>The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount of equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation.</p> <p>Based on this policy, ESCON REIT has decided to distribute 1,135,797,509 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>Furthermore, ESCON REIT will not distribute cash in excess of earnings as provided in Article 36, Paragraph 2 of the Articles of Incorporation.</p>

(5) Statements of Cash Flows

(Unit: thousand yen)

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Cash Flows from Operating Activities		
Income before income taxes	1,140,536	1,136,542
Depreciation	184,156	188,398
Interest income	(27)	(27)
Interest expenses	80,653	81,326
Decrease (increase) in operating accounts receivable	(44,642)	44,701
Decrease (increase) in prepared expenses	(17,625)	(6,144)
Decrease (increase) in long-term prepaid expenses	(1,748)	8,409
Increase (decrease) in operating accounts payable	59,969	(97,986)
Increase (decrease) in accounts payable - other	(58,970)	60,310
Increase (decrease) in accrued expenses	(3,141)	1,935
Increase (decrease) in accrued consumption taxes	11,654	(4,262)
Increase (decrease) in advances received	2,032	(3,023)
Others, net	2,324	(1,992)
Subtotal	1,355,171	1,408,186
Interest received	27	27
Interest paid	(80,656)	(81,234)
Income taxes paid	(1,207)	(659)
Net cash provided by operating activities	1,273,334	1,326,319
Cash Flows from Investing Activities		
Purchase of property, plant and equipment in trust	(101,213)	(73,131)
Proceeds from tenant lease and guarantee deposits in the trusts	29,744	4,672
Refund of tenant lease and guarantee deposits in the trusts	(29,778)	(17,929)
Net cash used in investing activities	(101,247)	(86,388)
Cash Flows from Financing Activities		
Proceeds from long-term borrowings	-	4,610,000
Repayments of long-term borrowings	-	(4,610,000)
Distributions paid	(1,858,233)	(1,142,112)
Net cash provided by (used in) financing activities	(1,858,233)	(1,142,112)
Net increase (decrease) in cash and cash equivalents	(686,147)	97,818
Cash and cash equivalents at the beginning of period	6,358,820	5,672,672
Cash and cash equivalents at the end of period	* ¹ 5,672,672	* ¹ 5,770,490

(6) Notes on Going Concern Assumptions
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

1. Method of depreciation and amortization of non-current assets	<p>(1) Property, plant and equipment (including assets in trust) The straight-line method is used. The useful lives of property, plant and equipment are as follows.</p> <ul style="list-style-type: none"> • Buildings 3 to 64 years • Structures 12 to 63 years • Tools, furniture and fixtures 2 to 10 years <p>(2) Intangible assets The straight-line method is used.</p> <p>(3) Long-term prepaid expenses The straight-line method is used.</p>
2. Accounting 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> <p>i. Sales of real estate For sales of real estate revenue is recognized when the customer (i.e., the buyer) obtains control of the real estate as a result of our fulfillment of the delivery obligations stipulated in the sales contract for the real estate.</p> <p>ii. Utilities charges received Utilities charges received are recorded as revenues according to the supply of electricity, water to the lessee as a customer, based on the lease contract of the real estate and other related agreements.</p> <p>(2) Accounting for property taxes 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. No amount equivalent to property taxes, etc. is included in the acquisition costs for real estate, etc. in the previous fiscal period and the current fiscal period.</p>
3. Hedge Accounting Methods	<p>(1) Hedge Accounting Methods Special accounting treatment has been adopted since the transaction meets the conditions for special treatment for interest rate swaps.</p> <p>(2) Hedge Instruments and Hedged items Hedge instrument: interest rate swaps Hedged items: Interest on borrowings</p> <p>(3) Hedge Policy ESCON REIT enters in derivative transactions for the purpose of hedging risks as defined in the ESCON REIT Agreement based on the Derivative Management Regulations.</p> <p>(4) Method for Evaluating Hedge Efficacy Evaluation on the effectiveness of the hedge is omitted since the interest rate swap meets the conditions for special treatment.</p>
4. Scope of funds in the statements of cash flows	Funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.
5. Other Items Forming the Basis for the Preparation of Financial Statements	<p>(1) Accounting for trust beneficial interests in real estate as trust asset For trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheets and Statement of Income and Retained Earnings.</p>

	<p>Included in the trust assets accounted for under the respective account items, the following items of significance are separately classified on the balance sheets.</p> <ul style="list-style-type: none"> i. Cash in trust and deposits in trust ii. Buildings in trust and structures in trust <ul style="list-style-type: none"> Tools, furniture and fixtures in trust and land in trust iii. Leasehold and guarantee deposits received in trust <p>(2) Accounting for non-deductible consumption taxes</p> <p>Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p>
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(8) 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 six months ended July 31, 2023	Current fiscal period As of and for the six months ended January 31, 2024
Property, plant and equipment	69,585,282	69,470,886
Intangible assets	1,484	614
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 considered when estimating future cash flows.

The rents, 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.

(9) Notes to Financial Statements
[Note to Balance Sheets]

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2023	Current fiscal period As of January 31, 2024
*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 February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
*1. Description of income from real estate leasing operations		
A. Real estate leasing business revenue		
Leasing business revenue		
Lease revenue	1,061,916	1,059,025
Land lease revenue received	824,893	824,893
Common service fees	120,312	121,647
Other lease revenues	186,719	183,643
Total	2,193,842	2,189,210
Other leasing business revenues		
Utilities charges received	249,379	246,246
Other revenues	54,509	9,129
Total	303,889	255,375
Total real estate leasing business revenue	2,497,731	2,444,586
B. Real estate leasing business expenses		
Expenses related to leasing business		
Administrative expenses	216,963	213,958
Trust fees	9,177	9,177
Utilities charges	263,666	250,703
Non-life insurance premiums	10,457	11,037
Repair expenses	54,238	48,735
Taxes and public dues	217,391	217,363
Depreciation	183,285	187,527
Other leasing business expenses	79,761	9,306
Total expenses related to leasing business	1,034,941	947,809
C. Income from real estate leasing business (A - B)	1,462,790	1,496,776

(Changes in presentation methods)

“Insurance revenue” and “Compensation for damages” which were presented separately in the previous fiscal period, are included in “Other revenues” and “Other leasing business expenses” respectively in the current fiscal period since the amounts are not material to the financial statements.

42,366 thousand yen and 70,229 thousand yen, which were presented respectively in “Insurance revenue” and “Compensation for damages” in the previous fiscal period, has been reclassified to “Other revenues” and “Other leasing business expenses”.

[Notes to Statements of Unitholders' Equity]

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

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Total number of investment units authorized	10,000,000 units	10,000,000 units
Total number of investment units issued and outstanding	351,967 units	351,967 units

[Notes to Statements of Cash Flows]

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

(Unit: thousand yen)

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Cash and deposits	2,318,451	2,308,510
Cash and deposits in trust	3,354,221	3,461,980
Cash and cash equivalents	5,672,672	5,770,490

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

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

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

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

ESCON REIT may engage in derivative transactions to hedge the interest volatility and other risks arising from its liabilities, but not engage in speculative transactions.

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

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

ESCON REIT enters into derivative transactions (interest rate swaps) to hedge the interest rate fluctuation risk of borrowings, to effectively fix interest paid on variable interest rate financing. For hedge accounting methods, hedge instruments and hedged items, hedge policy, and the method of evaluating hedge efficacy, please refer to "(7) Notes on Matters Concerning Significant Accounting Policies 3. Hedge Accounting Methods" above.

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

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

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

Derivative Transactions”, contract amounts for derivative transactions do not in themselves indicate market risk associated with derivative transactions.

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

Balance sheet amounts, fair value and the differences as of July 31, 2023 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	4,610,000	4,610,000	-
(2) Long-term borrowings	28,481,000	28,481,000	-
Total liabilities	33,091,000	33,091,000	-

Balance sheet amounts, fair value and their differences as of January 31, 2024 are as follows: Notes to “Cash and deposits” and “Cash and deposits in trust” are not disclosed since the fair value of these instruments approximates book value due to short term nature of these instruments. Fair value for “tenant lease and guarantee deposits in 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	2,386,000	2,386,000	-
(2) Long-term borrowings	30,705,000	30,763,881	58,881
Total liabilities	33,091,000	33,149,881	58,881
(3) Derivative transactions	-	-	-

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

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

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

(3) Derivative transactions

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

*2. Scheduled redemption of loans after the closing date (July 31, 2023)

(Unit: thousand yen)

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Long-term borrowings	4,610,000	5,273,000	10,684,000	7,559,000	4,965,000	-
Total	4,610,000	5,273,000	10,684,000	7,559,000	4,965,000	-

Scheduled redemption of loans after the closing date (January 31, 2024)

(Unit: thousand yen)

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

[Notes to Derivative transactions]

1. Transactions for which hedge accounting has not been applied

No applicable transactions for the previous fiscal period (July 31, 2023) and the current fiscal period (January 31, 2024).

2. Transactions for which hedge accounting has been applied.

No applicable transactions for the previous fiscal period (July 31, 2023).

The current fiscal period (January 31, 2024)

(Unit: thousand yen)

Hedge Accounting Method	Type of Derivative Transaction	Main Hedged item	Contract Amount ¹		Fair Value	Fair Value Calculation Method
				Due after 1 year		
Special Treatment for Interest Rate Swaps	Interest Rate Swap Receive-floating/pay fixed	Long-Term Borrowings	1,876,600	1,876,600	*2	—
Total			1,876,600	1,876,600		

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

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

[Notes to Deferred Income Taxes]

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

(Unit: thousand yen)

	Previous fiscal period As of July 31, 2023	Current fiscal period As of January 31, 2024
(Deferred tax assets)		
Unpaid business tax not included in deductible expenses	2	3
Total deferred tax assets	2	3
(Net deferred tax assets)	2	3

2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate after applying deferred income tax accounting

(Unit: %)

	Previous fiscal period As of July 31, 2023	Current fiscal period As of January 31, 2024
Effective statutory tax rate	31.46	31.46
(Adjustments)		
Distribution payments included in tax deductible expenses	(31.44)	(31.44)
Others	0.04	0.04
Effective tax rate	0.06	0.06

[Notes to Real Estate for Lease]

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

(Unit: thousand yen)

		Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Carrying value* ¹	Balance at the beginning of the period	69,667,355	69,585,282
	Changes during the period* ²	(82,072)	(114,396)
	Balance at the end of the period	69,585,282	69,470,886
Fair Value at the end of the period* ³		72,713,900	72,780,200

*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 capital expenditures for certain properties, including tonarie Minami-senri etc. (101,213 thousand yen in total), while the decrease is mainly due to depreciation (183,285 thousand yen). The increase in the current fiscal period is mainly due to capital expenditures for certain properties, including tonarie Minami-senri etc. (73,131 thousand yen in total), while the decrease is mainly due to depreciation (187,527 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 February 1, 2023 to July 31, 2023)

(Unit: thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate, etc.	-	-
Utilities charges received*2	249,379	249,379
Other	-	2,248,351
Total	249,379	2,497,731

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

Current fiscal period (From August 1, 2023 to January 31, 2024)

(Unit: thousand yen)

	Revenue from contracts with customers*1	Sales to external customers
Income from sales of real estate, etc.	-	-
Utilities charges received*2	246,246	246,246
Other	-	2,198,339
Total	246,246	2,444,586

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

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

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

Previous fiscal period (From February 1, 2023 to July 31, 2023)

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

Current fiscal period (From August 1, 2023 to January 31, 2024)

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

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

(1) Balance of contract assets and contract liabilities

(Unit: thousand yen)

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Receivables from contracts with a customer (at the beginning of the period)	41,492	44,602
Receivables from contracts with a customer (at the end of the period)	44,602	43,596
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)	-	-
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(2) Transaction prices allocated to remaining performance obligations

Not applicable.

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

[Notes to Per Unit Information]

	Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Net assets per unit	111,507 yen	111,497 yen
Net income per unit	3,239 yen	3,227 yen

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

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

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

		Previous fiscal period From February 1, 2023 to July 31, 2023	Current fiscal period From August 1, 2023 to January 31, 2024
Net income	(thousand yen)	1,139,850	1,135,862
Amount not attributable to common unitholders	(thousand yen)	-	-
Net income for common investment units	(thousand yen)	1,139,850	1,135,862
Average number of investment units during the period	(Units)	351,967	351,967

[Notes to Significant Subsequent Events]

Not applicable.

(Disclosure Omissions)

Disclosure of notes regarding lease transactions is omitted because such disclosure in the financial report is not considered to be significant.

(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, 2024, are as follows.

Date	Summary	Total number of investment units Issued and outstanding (units)		Total amount of investment (million yen)		Remarks
		Increase	Balance	Increase	Balance	
February 12, 2019	Capital increase through public offering	188,351	237,000	18,319	22,941	*1
February 3, 2020	Capital increase through public offering	43,792	280,792	5,236	28,177	*2
February 26, 2020	Capital increase through third-party allotment	2,190	282,982	261	28,439	*3
August 2, 2021	Capital increase through public offering	65,700	348,682	9,207	37,646	*4
August 24, 2021	Capital increase through third-party allotment	3,285	351,967	460	38,107	*5

*1. 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.

*2. 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.

*3. 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.

*4. 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.

*5. 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*1	13th fiscal period As of July 31, 2023		14th fiscal period As of January 31, 2024	
		Total holdings (million yen) *2	Ratio to total assets (%) *3	Total holdings (million yen) *2	Ratio to total assets (%) *3
Real estate	Chubu region	6	0.0	5	0.0
Total real estate		6	0.0	5	0.0
Real estate in trust	Hokkaido region	1,310	1.7	1,310	1.7
	Tokyo metropolitan area	7,744	10.2	7,729	10.2
	Chubu region	5,030	6.7	5,000	6.6
	Kinki region	34,308	45.4	34,267	45.4
	Kyushu region	15,140	20.0	15,132	20.0
	Other areas	6,044	8.0	6,024	8.0
Total real estate in trust		69,579	92.0	69,465	92.0
Deposits and other assets		6,010	8.0	6,060	8.0
Total assets		75,595	100.0	75,530	100.0

	Amount (million yen)	Ratio to total assets (%) *3	Amount (million yen)	Ratio to total assets (%) *3
Total liabilities	36,348	48.1	36,287	48.0
Total net assets	39,247	51.9	39,243	52.0

*1. From the current fiscal period, "Region" is described in accordance with the contents of "1. Operations (1) Operations i. Overview of the Current Fiscal Period A. Brief background of the REIT *6".

*2. 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.

*3. 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

Investment real estate, together with assets held through trust beneficiary interests, are collectively recorded in "C. Other major investment assets" below.

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 January 31, 2024)

Property number	Property name	Location	Ownership formats ^{*1}	Acquisition price (million yen) ^{*2}	Book value (million yen) ^{*3}	Appraisal value at the end of the period (million yen) ^{*4}	Appraiser
11201	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	Sapporo City, Hokkaido Prefecture	Trust beneficiary interests	1,300	1,310	1,330	The Tanizawa Sogo Appraisal Co., Ltd.
13101	Asumigaoka Brand-New Mall	Chiba City, Chiba Prefecture	Trust beneficiary interests	3,200	3,161	3,200	The Tanizawa Sogo Appraisal Co., Ltd.
	Asumigaoka Brand-New Mall (Leasehold land) ^{*5}					(1)143 (2)150	
13102	Nishi-shiroi Ekimae Plaza	Shiroi City, Chiba Prefecture	Trust beneficiary interests	451	454	470	Daiwa Real Estate Appraisal Co., Ltd.
13201	K's Denki Oyumino (Leasehold land)	Chiba City, Chiba Prefecture	Trust beneficiary interests	2,710	2,737	2,890	JLL Morii Valuation & Advisory KK
13202	Nitori Tsuchiura (Leasehold land)	Tsuchiura City, Ibaraki Prefecture	Trust beneficiary interests	999	1,007	1,100	JLL Morii Valuation & Advisory KK
13203	Nitori Imaichi (Leasehold land)	Nikko City, Tochigi Prefecture	Trust beneficiary interests	363	368	410	JLL Morii Valuation & Advisory KK
15101	Yoshizuya Y Store Nishiharu ^{*6}	Kitanagoya City, Aichi Prefecture	Trust beneficiary interests and auxiliary facilities	4,610	4,522	2,260	Daiwa Real Estate Appraisal Co., Ltd.
15201	MaxValu Kikyogaoka-higashi (Leasehold land)	Nabari City, Mie Prefecture	Trust beneficiary interests	477	483	542	JLL Morii Valuation & Advisory KK
16101	tonarie Minami-senri	Suita City, Osaka Prefecture	Trust beneficiary interests	7,200	7,295	8,170	The Tanizawa Sogo Appraisal Co., Ltd.
16102	tonarie Seiwadai	Kawanishi City, Hyogo Prefecture	Trust beneficiary interests	3,290	3,175	3,350	Daiwa Real Estate Appraisal Co., Ltd.
16103	tonarie Yamatotakada (50% ownership) ^{*7}	Yamatotakada City, Nara Prefecture	Trust beneficiary interests	4,150	4,042	3,985	JLL Morii Valuation & Advisory KK
16104	tonarie Toga・Mikita	Sakai City, Osaka Prefecture	Trust beneficiary interests	6,986	6,834	6,970	Daiwa Real Estate Appraisal Co., Ltd.
16201	LAMU Kitatsumori (Leasehold land)	Osaka City, Osaka Prefecture	Trust beneficiary interests	1,270	1,284	1,480	JLL Morii Valuation & Advisory KK
16202	K's Denki Nishi-kobe (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interests	2,133	2,154	2,470	JLL Morii Valuation & Advisory KK
16203	Sanyo Marunaka Mitani (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interests	1,430	1,443	1,540	JLL Morii Valuation & Advisory KK
16204	TSUTAYA Sakai-minami (Leasehold land)	Sakai City, Osaka Prefecture	Trust beneficiary interests	946	955	1,040	JLL Morii Valuation & Advisory KK
16205	LIFE Daisen (Leasehold land)	Sakai City, Osaka Prefecture	Trust beneficiary interests	2,733	2,758	3,070	Daiwa Real Estate Appraisal Co., Ltd.
16206	TRIAL Omihachiman (Leasehold land)	Omihachiman City, Shiga Prefecture	Trust beneficiary interests	1,010	1,019	1,110	JLL Morii Valuation & Advisory KK
16207	Kusuri no Aoki Ikaruga (Leasehold land) ^{*8}	Ikoma District, Nara Prefecture	Trust beneficiary interests	711	718	(1)702 (2)29	JLL Morii Valuation & Advisory KK
16208	DRUG Yutaka Mukokamiueno (Leasehold land)	Muko City, Kyoto Prefecture	Trust beneficiary interests	460	464	477	JLL Morii Valuation & Advisory KK
16209	WELCIA Amagasaki Mukomotomachi (Leasehold land)	Amagasaki City, Hyogo Prefecture	Trust beneficiary interests	565	571	577	The Tanizawa Sogo Appraisal Co., Ltd.

Property number	Property name	Location	Ownership formats ^{*1}	Acquisition price (million yen) ^{*2}	Book value (million yen) ^{*3}	Appraisal value at the end of the period (million yen) ^{*4}	Appraiser
16210	Cocokara Fine Neyagawakoen (Leasehold land)	Neyagawa City, Osaka Prefecture	Trust beneficiary interests	702	709	719	The Tanizawa Sogo Appraisal Co., Ltd.
16211	ENEOS Ikawadani SS (Leasehold land)	Kobe City, Hyogo Prefecture	Trust beneficiary interests	530	535	531	The Tanizawa Sogo Appraisal Co., Ltd.
16212	GEO Hikone Takamiya (Leasehold land)	Hikone City, Shiga Prefecture	Trust beneficiary interests	300	304	305	The Tanizawa Sogo Appraisal Co., Ltd.
18101	SUROY MALL Nagamine	Kumamoto City, Kumamoto Prefecture	Trust beneficiary interests	4,600	4,595	4,500	JLL Morii Valuation & Advisory KK
18201	MrMAX Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	3,387	3,428	3,970	The Tanizawa Sogo Appraisal Co., Ltd.
18202	UNIQLO Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	595	601	677	The Tanizawa Sogo Appraisal Co., Ltd.
18203	Avail.Shimamura Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	863	874	1,110	The Tanizawa Sogo Appraisal Co., Ltd.
18204	au-SoftBank Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	143	145	161	The Tanizawa Sogo Appraisal Co., Ltd.
18205	Kura Sushi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	261	264	306	The Tanizawa Sogo Appraisal Co., Ltd.
18206	docomo Shop Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	160	163	183	The Tanizawa Sogo Appraisal Co., Ltd.
18207	Konpira Maru Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	236	239	266	The Tanizawa Sogo Appraisal Co., Ltd.
18208	One-Karubi Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	236	239	266	The Tanizawa Sogo Appraisal Co., Ltd.
18209	Suke-san Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	401	405	421	The Tanizawa Sogo Appraisal Co., Ltd.
18210	NAFCO Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	2,631	2,666	3,480	The Tanizawa Sogo Appraisal Co., Ltd.
18211	K's Denki Kasuga (Leasehold land)	Kasuga City, Fukuoka Prefecture	Trust beneficiary interests	1,487	1,506	1,870	The Tanizawa Sogo Appraisal Co., Ltd.
19101	Fuji Grand Natalie	Hatsukaichi City, Hiroshima Prefecture	Trust beneficiary interests	3,950	3,888	4,100	Daiwa Real Estate Appraisal Co., Ltd.
19201	K's Denki Kurashiki (Leasehold land)	Kurashiki City, Okayama Prefecture	Trust beneficiary interests	2,121	2,136	2,450	JLL Morii Valuation & Advisory KK
	Total			69,604	69,470	72,780	

*1. Trust beneficiary interests represent trust beneficiary interests in mainly real estate.

*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. "Asumigaoka Brand-New Mall (Leasehold land)" has fixed-term business-use land lease agreements with two lessees, Akindo Sushiro Co., Ltd. and McDonald's Holdings Company (Japan), Ltd., and the "Appraisal value at end of the period" shows the portion pertaining to Akindo Sushiro Co., Ltd. as (1) and the portion pertaining to McDonald's Holdings Company (Japan), Ltd. as (2).

*6. The book value of Yoshizuya Y Store Nishiharu includes the book value of auxiliary facilities associated with the commercial facility.

*7. "Book Value" and "Appraisal value at the end of the period" for tonarie Yamatotakada are indicated in consideration of quasi co-ownership with a 50% real estate trust beneficial interests.

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

b. Overview of lease

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

(As of January 31, 2024)

Property number	Property name	Total number of tenants ^{*1}	Leasable area (m ²) ^{*2}	Leased area (m ²) ^{*2}	Occupancy rate (%) ^{*2*3}	Real estate leasing business revenue (million yen) ^{*4}	Ratio to total rent revenue (%)
11201	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	1	8,154.00	8,154.00	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
13101	Asumigaoka Brand-New Mall	28	22,516.59	19,767.24	87.8	247	10.1
	Asumigaoka Brand-New Mall (Leasehold land)	2	2,672.67	2,672.67	100.0		
13102	Nishi-shiroi Ekimae Plaza	4	969.72	969.72	100.0	19	0.8
13201	K's Denki Oyumino (Leasehold land)	1	23,379.50	23,379.50	100.0	70	2.9
13202	Nitori Tsuchiura (Leasehold land)	1	10,312.00	10,312.00	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
13203	Nitori Imaichi (Leasehold land)	1	10,236.00	10,236.00	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
15101	Yoshizuya Y Store Nishiharu	56	26,432.58	26,366.38	99.7	114	4.7
15201	MaxValu Kikyogaoka-higashi (Leasehold land)	1	9,025.88	9,025.88	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16101	tonarie Minami-senri	45	7,594.00	7,471.45	98.4	328	13.4
16102	tonarie Seiwadai	32	8,798.01	8,798.01	100.0	169	7.0
16103	tonarie Yamatotakada (50% Ownership)	66	14,414.75	14,414.75	100.0	178	7.3
16104	tonarie Toga・Mikita	31	8,471.24	8,471.24	100.0	258	10.6
16201	LAMU Kitatsumori (Leasehold land)	1	11,677.03	11,677.03	100.0	38	1.6
16202	K's Denki Nishi-kobe (Leasehold land)	1	9,787.68	9,787.68	100.0	62	2.5
16203	Sanyo Marunaka Mitani (Leasehold land)	1	9,610.80	9,610.80	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16204	TSUTAYA Sakai-minami (Leasehold land)	1	4,406.04	4,406.04	100.0	21	0.9
16205	LIFE Daisen (Leasehold land)	1	9,264.48	9,264.48	100.0	72	2.9
16206	TRIAL Omihachiman (Leasehold land)	1	17,268.43	17,268.43	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16207	Kusuri no Aoki Ikaruga (Leasehold land) ^{*5}	2	8,486.78	8,486.78	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16208	DRUG Yutaka Mukokamiueno (Leasehold land)	1	1,839.21	1,839.21	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16209	WELCIA Amagasaki Mukomotomachi (Leasehold land)	1	1,491.47	1,491.47	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16210	Cocokara Fine Neyagawakoen (Leasehold land)	1	2,728.00	2,728.00	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16211	ENEOS Ikawadani SS (Leasehold land)	1	2,634.83	2,634.83	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
16212	GEO Hikone Takamiya (Leasehold land)	1	2,237.60	2,237.60	100.0	Not disclosed ^{*6}	Not disclosed ^{*6}
18101	SUROY MALL Nagamine	24	12,622.98	12,622.98	100.0	185	7.6

Property number	Property name	Total number of tenants *1	Leasable area (m ²) *2	Leased area (m ²) *2	Occupancy rate (%) *2*3	Real estate leasing business revenue (million yen) *4	Ratio to total rent revenue (%)
18201	MrMAX Kasuga (Leasehold land)	1	38,113.27	38,113.27	100.0	84	3.5
18202	UNIQLO Kasuga (Leasehold land)	1	5,426.59	5,426.59	100.0	13	0.6
18203	Avail.Shimamura Kasuga (Leasehold land)	1	8,752.57	8,752.57	100.0	23	1.0
18204	au-SoftBank Kasuga (Leasehold land)	1	1,200.84	1,200.84	100.0	3	0.2
18205	Kura Sushi Kasuga (Leasehold land)	1	2,257.85	2,257.85	100.0	7	0.3
18206	docomo Shop Kasuga (Leasehold land)	1	1,358.76	1,358.76	100.0	4	0.2
18207	Konpira Maru Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
18208	One-Karubi Kasuga (Leasehold land)	1	1,983.48	1,983.48	100.0	6	0.3
18209	Suke-san Kasuga (Leasehold land)	1	3,126.16	3,126.16	100.0	10	0.4
18210	NAFCO Kasuga (Leasehold land)	1	33,928.37	33,928.37	100.0	Not disclosed *6	Not disclosed *6
18211	K's Denki Kasuga (Leasehold land)	1	16,961.48	16,961.48	100.0	37	1.5
19101	Fuji Grand Natalie	1	28,543.96	28,543.96	100.0	Not disclosed *6	Not disclosed *6
19201	K's Denki Kurashiki (Leasehold land)	1	11,433.38	11,433.38	100.0	Not disclosed *6	Not disclosed *6
	Total	319	402,102.46	399,164.36	99.3	2,444	100.0

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

*2. Leasable area is the total area considered available for lease in the acquired assets (if the acquired asset is leasehold lands, such lands) as of January 31, 2024, 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. "Leased area" is the total leased area indicated in each lease agreement as of the closing date. 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. However, for "Fuji Grand Natalie," which has a lease agreement with Fuji Corporation, the "leased area" of the lease agreement. The area is rounded off to the second decimal place, respectively. 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 and rounded off to the nearest first decimal place.

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

Yoshizuya Y Store Nishiharu consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased area in the table above includes the 4,485.14 m² leased area on the third floor, which was vacant as of the end of the fiscal period.

For the third floor, a fixed rent per tsubo will be added according to the contracted floor area as tenants move in, and considering the floor is vacant, the occupancy rate after deducting the leased area of the third floor is 82.8%. The overall occupancy rate after taking this into account would be 98.2%.

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

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

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

c. Summary of Appraisals, etc.

The following is a summary of the real estate appraisal reports on owned assets, which the Asset Manager entrusted to The Tanizawa Sogo Appraisal Co., Ltd, JLL Morii Valuation & Advisory K.K., and DAIWA Real Estate Appraisal Co., Ltd. The appraisal reports represent the judgment and opinion of the appraiser as of a specific point in time and they do not guarantee the validity, accuracy, or the possibility of trading a property at its appraised value. Furthermore, these appraisers have no special interest relationship with ESCON REIT or the Asset Manager.

Property number	Property type	Property name	Appraiser	Appraisal value (million yen) *1	Estimated value (million yen)	Value based on Direct Capitalization Method (million yen)	Cap rate (%)	Value based on DCF Method (million yen)	Discount rate (%)	Terminal cap rate (%)
11201	Commercial facilities	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,330	-	-	-	1,330	4.4	-
13101	Commercial facilities	Asumigaoka Brand-New Mall	The Tanizawa Sogo Appraisal Co., Ltd.	3,200	3,110	3,180	4.8	3,210	4.9	5.0
		Asumigaoka Brand-New Mall (Leasehold land) *2		(1)143 (2)150	-	-	-	(1)143 (2)150	(1) 4.4 (2) until 2FY: 4.2 (2) from 3FY: 4.3	-
13102	Commercial facilities	Nishi-shiroi Ekimae Plaza	Daiwa Real Estate Appraisal Co., Ltd.	470	331	474	5.3	468	5.1	5.5
13201	Commercial facilities	K's Denki Oyumino (Leasehold land)	JLL Morii Valuation & Advisory KK	2,890	-	-	-	2,890	4.7	-
13202	Commercial facilities	Nitori Tsuchiura (Leasehold land)	JLL Morii Valuation & Advisory KK	1,100	-	-	-	1,100	5.3	-
13203	Commercial facilities	Nitori Imaichi (Leasehold land)	JLL Morii Valuation & Advisory KK	410	-	-	-	410	5.6	-
15101	Commercial facilities	Yoshizuya Y Store Nishiharu	Daiwa Real Estate Appraisal Co., Ltd.	2,260	4,800	2,280	5.0	2,250	4.8	5.2
15201	Commercial facilities	MaxValu Kikyogaoka-higashi (Leasehold land)	JLL Morii Valuation & Advisory KK	542	-	-	-	542	5.6	-
16101	Commercial facilities	tonarie Minami-senri	The Tanizawa Sogo Appraisal Co., Ltd.	8,170	8,390	8,070	4.3	8,210	4.4	4.5
16102	Commercial facilities	tonarie Seiwadai	Daiwa Real Estate Appraisal Co., Ltd.	3,350	2,320	3,390	5.4	3,330	5.2	5.6
16103	Commercial facilities	tonarie Yamatotakada (50% ownership) *3	JLL Morii Valuation & Advisory KK	3,985	3,685	4,040	4.9	3,925	4.7	5.1
16104	Commercial facilities	tonarie Toga・Mikita	Daiwa Real Estate Appraisal Co., Ltd.	6,970	4,340	7,030	4.6	6,950	4.4	4.8
16201	Commercial facilities	LAMU Kitatsumori (Leasehold land)	JLL Morii Valuation & Advisory KK	1,480	-	-	-	1,480	4.3	-
16202	Commercial facilities	K's Denki Nishikobe (Leasehold land)	JLL Morii Valuation & Advisory KK	2,470	-	-	-	2,470	4.6	-
16203	Commercial facilities	Sanyo Marunaka Mitani (Leasehold land)	JLL Morii Valuation & Advisory KK	1,540	-	-	-	1,540	4.6	-
16204	Commercial facilities	TSUTAYA Sakai-minami (Leasehold land)	JLL Morii Valuation & Advisory KK	1,040	-	-	-	1,040	4.5	-
16205	Commercial facilities	LIFE Daisen (Leasehold land)	Daiwa Real Estate Appraisal Co., Ltd.	3,070	-	-	-	3,070	4.3	-
16206	Commercial facilities	TRIAL Omihachiman (Leasehold land)	JLL Morii Valuation & Advisory KK	1,110	-	-	-	1,110	4.6	-

Property number	Property type	Property name	Appraiser	Appraisal value (million yen) *1	Estimated value (million yen)	Value based on Direct Capitalization Method (million yen)	Cap rate (%)	Value based on DCF Method (million yen)	Discount rate (%)	Terminal cap rate (%)
16207	Commercial facilities	Kusuri no Aoki Ikaruga (Leasehold land) *4	JLL Morii Valuation & Advisory KK	(1)702 (2)29	-	-	-	(1)702 (2)29	5.2	-
16208	Commercial facilities	DRUG Yutaka Mukokamiueno (Leasehold land)	JLL Morii Valuation & Advisory KK	477	-	-	-	477	4.4	-
16209	Commercial facilities	WELCIA Amagasaki Mukomotomachi (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	577	-	-	-	577	until 6FY: 4.0 from 7FY: 4.1	-
16210	Commercial facilities	Cocokara Fine Neyagawakoen (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	719	-	-	-	719	until 4FY: 4.1 from 5FY: 4.2	-
16211	Commercial facilities	ENEOS Ikawadani SS (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	531	-	-	-	531	until 6FY: 4.2 from 7FY: 4.3	-
16212	Commercial facilities	GEO Hikone Takamiya (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	305	-	-	-	305	4.3	-
18101	Commercial facilities	SUROY MALL Nagamine	JLL Morii Valuation & Advisory KK	4,500	4,690	4,580	5.2	4,410	5.0	5.4
18201	Commercial facilities	MrMAX Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	3,970	-	-	-	3,970	4.5	-
18202	Commercial facilities	UNIQLO Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	677	-	-	-	677	4.6	-
18203	Commercial facilities	Avail.Shimamura Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,110	-	-	-	1,110	4.6	-
18204	Commercial facilities	au-SoftBank Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	161	-	-	-	161	4.6	-
18205	Commercial facilities	Kura Sushi Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	306	-	-	-	306	4.6	-
18206	Commercial facilities	docomo Shop Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	183	-	-	-	183	4.6	-
18207	Commercial facilities	Konpira Maru Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	266	-	-	-	266	4.6	-
18208	Commercial facilities	One-Karubi Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	266	-	-	-	266	4.6	-
18209	Commercial facilities	Suke-san Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	421	-	-	-	421	4.6	-
18210	Commercial facilities	NAFCO Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	3,480	-	-	-	3,480	4.5	-
18211	Commercial facilities	K's Denki Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,870	-	-	-	1,870	4.5	-
19101	Commercial facilities	Fuji Grand Natalie	Daiwa Real Estate Appraisal Co., Ltd.	4,100	5,700	4,090	5.1	4,100	4.9	5.3
19201	Commercial facilities	K's Denki Kurashiki (Leasehold land)	JLL Morii Valuation & Advisory KK	2,450	-	-	-	2,450	4.6	-
Total				72,780	-	-	-	72,628	-	-

*1. The date of "appraisal value" in each case is January 31, 2024. The "appraisal value" is the amount indicated in the appraisal report, rounded down to the nearest million yen. Consequently, the total of the "appraisal value" may not equal the overall total.

*2. "Asumigaoka Brand-New Mall (Leasehold land)" has fixed-term business-use land lease agreements with two lessees, Akindo Sushiro Co., Ltd. and McDonald's Holdings Company (Japan), Ltd., and the "appraisal value", "value based on DCF Method" and "discount rate" show the portion pertaining to

Akindo Sushiro Co., Ltd. as (1) and the portion pertaining to McDonald's Holdings Company (Japan), Ltd. as (2).

- *3. Regarding tonarie Yamatotakada, given that the asset held consists of 50% quasi co-ownership of the trust beneficiary rights, the "appraisal value", "estimated value", "value based on direct capitalization method", and the "value based on DCF method" are the amounts calculated based on the quasi co-ownership interest ratio.
- *4. "Kusuri no Aoki Ikaruga (Leasehold land)" has fixed-term business-use land lease agreements with two lessees, Kusuri no Aoki Co., Ltd., and Ikaritombo Co., Ltd. and "Appraisal value" and "Value based on DCF method" show the portion pertaining to Kusuri no Aoki Co., Ltd. as (1) and the portion pertaining to Ikaritombo Co., Ltd. as (2).

(2) Capital Expenditures

i. Planned capital expenditures

A schedule of major capital expenditures for renovation work, currently planned for the assets held as of January 31, 2024 is described below. A major capital expenditure for renovation work is reported when 1% or more of the book value exists at the end of the period. Please note that the projected construction amounts below include the portion to be treated as expenses for accounting purposes.

Property name	Location	Purpose of Construction	Scheduled construction period	Estimated construction cost (million yen)		
				Total	Current fiscal period Amount paid	Total amount of Already paid
tonarie Minami-senri	Suita City, Osaka Prefecture	Renewal construction work	From July, 2024 to January, 2025	116	-	-

ii. Capital expenditures during the period

No major construction projects existed that fall under the category of capital expenditures conducted during the current fiscal period for the assets held as of January 31, 2024. A major construction project is reported when 1% or more of the book value exists at the end of the period.