

15th Fiscal Period Semi-Annual Report

From: February 1, 2024
To: July 31, 2024

ESCON JAPAN REIT Investment Corporation

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

To Our Unitholders

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

In the fiscal period ended July 31, 2024, ESCON JAPAN REIT Investment Corporation (hereinafter, "ESCON REIT") disposed three properties, including one with low profitability, and acquired three properties, including a medical building, a new asset type, which improved the profitability of its portfolio and expanded its asset scale to 70.3 billion yen. ESCON REIT was also able to increase the distribution per unit by 49 yen from the previous forecast to 3,242 yen. Furthermore, in acquiring these assets, ESCON REIT raised approximately 1.06 billion yen through a third-party allotment of new investment units to Chuden Real Estate Co., Inc. (hereinafter, "Chuden Real Estate"), a support company of ESCON REIT. This strengthened the relationship between ESCON REIT and Chuden Real Estate, and ESCON REIT believes that it was able to obtain a stronger commitment from the Chubu Electric Power Group. In addition to the sponsor support provided by ES-CON JAPAN Ltd. (hereinafter, "ES-CON JAPAN"), this commitment is expected to further enhance the creditworthiness of ESCON REIT, and lead to establishing a foundation for ESCON REIT's sustainable and stable growth.

Going forward, ESCON REIT will aim to achieve steady growth in assets under management and maximize unitholder value through the investing and managing these lifestyle-focused assets, with the cooperation of its sponsor, ES-CON JAPAN and its support company, Chubu Electric Power Co., Inc (hereinafter, "Chubu Electric Power") and Chuden Real Estate. ESCON REIT will utilize the unique network of ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the "Asset Manager") which is the asset management company of ESCON REIT. ESCON REIT will also ensure that the operations of the lifestyle-focused assets are handled fairly and appropriately by ESCON REIT and the Asset Manager.

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

I Asset Management Report

Overview of Asset Management

1. Trends in ESCON REIT's Management Status

| Fiscal period | | 11th fiscal period From February 1, 2022 to July 31, 2022 | 12th fiscal period From August 1, 2022 to January 31, 2023 | 13th fiscal period From February 1, 2023 to July 31, 2023 | 14th fiscal period From August 1, 2023 to January 31, 2024 | 15th fiscal period From February 1, 2024 to July 31, 2024 |
|---|-------------|---|--|---|--|---|
| Operating revenues | Million yen | 2,706 | 2,541 | 2,497 | 2,444 | 3,049 |
| which consists of real estate lease revenues | Million yen | 2,706 | 2,541 | 2,497 | 2,444 | 2,485 |
| Operating expenses | Million yen | 1,324 | 1,178 | 1,242 | 1,169 | 1,736 |
| which consists of real estate lease expenses | Million yen | 1,118 | 969 | 1,034 | 947 | 972 |
| Operating income | Million yen | 1,382 | 1,362 | 1,255 | 1,274 | 1,312 |
| Ordinary income | Million yen | 1,269 | 1,194 | 1,140 | 1,136 | 1,170 |
| Net income | Million yen | 1,268 | 1,859 | 1,139 | 1,135 | 1,169 |
| Total assets | Million yen | 76,014 | 76,300 | 75,595 | 75,530 | 76,770 |
| Period-on- period changes | % | 0.2 | 0.4 | (0.9) | (0.1) | 1.6 |
| Net assets | Million yen | 39,375 | 39,966 | 39,247 | 39,243 | 40,343 |
| Period-on- period changes | % | 0.0 | 1.5 | (1.8) | (0.0) | 2.8 |
| Interest-bearing debt | Million yen | 33,091 | 33,091 | 33,091 | 33,091 | 33,091 |
| Total amount of investment | Million yen | 38,107 | 38,107 | 38,107 | 38,107 | 39,173 |
| Total number of investment units issued and outstanding | Units | 351,967 | 351,967 | 351,967 | 351,967 | 360,667 |
| Net assets per unit* ³ | Yen | 111,873 | 113,552 | 111,507 | 111,497 | 111,857 |
| Net income per unit* ¹ | Yen | 3,604 | 5,283 | 3,239 | 3,227 | 3,299 |
| Total distributions | Million yen | 1,268 | 1,859 | 1,139 | 1,135 | 1,169 |
| Distribution per unit | Yen | 3,604 | 5,283 | 3,238 | 3,227 | 3,242 |
| which consists of earnings distribution per unit | Yen | 3,604 | 5,283 | 3,238 | 3,227 | 3,242 |
| which consists of distribution in excess of earnings per unit | Yen | - | - | - | - | - |
| Ordinary income to total assets ratio* ³ | % | 1.7 | 1.6 | 1.5 | 1.5 | 1.5 |
| Annualized | % | 3.4 | 3.1 | 3.0 | 3.0 | 3.1 |
| Return on equity* ³ | % | 3.2 | 4.7 | 2.9 | 2.9 | 2.9 |
| Annualized | % | 6.5 | 9.3 | 5.8 | 5.7 | 5.9 |
| Equity ratio* ³ | % | 51.8 | 52.4 | 51.9 | 52.0 | 52.6 |
| Period-on- period changes | | (0.1) | 0.6 | (0.5) | 0.0 | 0.6 |
| Payout ratio* ³ | % | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| [Other reference information] | | | | | | |
| Days of operation | Days | 181 | 184 | 181 | 184 | 182 |
| Number of investment properties at end of period | Properties | 38 | 38 | 38 | 38 | 37 |
| Depreciation | Million yen | 175 | 179 | 183 | 187 | 201 |
| Capital expenditures | Million yen | 127 | 104 | 101 | 73 | 66 |
| Lease NOI (Net Operating Income) * ³ | Million yen | 1,763 | 1,751 | 1,646 | 1,684 | 1,714 |
| FFO (Funds from Operations) * ³ | Million yen | 1,443 | 1,373 | 1,323 | 1,323 | 1,342 |

| | | | | | | |
|---|-----|-------|-------|-------|-------|-------|
| FFO per unit* ³ | Yen | 4,102 | 3,901 | 3,759 | 3,759 | 3,721 |
| Loan to Value (LTV) at end of period* ³ | % | 43.5 | 43.4 | 43.8 | 43.8 | 43.1 |

*1 “Net income per unit” is the amount obtained by dividing net income by the weighted average number of investment units based on the number of days and rounding to the nearest whole number.

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

*3 Calculations are based on the following formulas:

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

2. Status in Asset Management during the Current Fiscal Period

(1) Brief background of the REIT

ESCON REIT was established on August 26, 2016, with 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 listed on the Real Estate Investment Trust Securities Market of Tokyo Stock Exchange, Inc. (hereinafter the “Tokyo Stock Exchange”) on February 13, 2019 (securities code: 2971).

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

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

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

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

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

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

(2) Operating environment and Management performance

During the current fiscal period, the Japanese economy continued to normalize, and the real GDP growth rate (second preliminary figure) for the April to June 2024 period was 0.7% (2.9% annualized), indicating that the economy has recovered.

Personal consumption increased due to the effects of wage increases and the introduction of the flat-amount cut for personal income taxes. This was due to an improvement in wages, reflecting the results from the spring labor initiatives. With downward pressure on the manufacturing sector expected to weaken, and the possibility of an increase in capital investment on the back of strong corporate earnings, the economy is expected to gradually improve through a recovery in stagnant domestic demand. However, if prices continue to remain high, while real wages remain increase slightly, this could lead to a stagnation in consumer sentiment due to the suppression of real purchasing power and a significant portion of the increase in real wages and tax cuts may be turn into savings. In addition, attention to the risk in a downturn in overseas economy putting downward pressure on the economy, such as the impact of global monetary tightening and concerns about the future of the US and Chinese economies, and the effects of future price hikes, fluctuations in financial and capital markets, and other factors must be closely monitored.

In addition, in the J-REIT (real estate investment trust) market from January to June 2024, the Tokyo Stock Exchange REIT Index (price return index) fell by 4.6%, and the Tokyo Stock Exchange REIT Index (total return index) fell by 2.4%. With continued caution over rising interest rates, the supply and demand environment deteriorated, with overseas investors selling pressure in response to the MSCI index review (end of May) and public REIT investment trusts (excluding listed ETFs) again seeing capital outflow from May onward, and accordingly, the market weakened toward the end of the current fiscal period.

As for commercial facilities, facility sales are increasing due to the favorable growth of inbound consumption, and there are high expectations for an increase in the asset value and profitability of these J-REITs.

In the current environment, ESCON REIT has continued to focus on creating an environment that will satisfy both customers visiting the commercial facilities it operates and its tenants, and has worked to secure stable revenues by taking measures to appropriately manage assets and increase revenue, including attracting tenants to vacant sections, replacing tenants when contracts expire, and actively holding events at each facility that are in line with current trends.

In addition, ESCON REIT acquired three properties and disposed three properties as listed below in a. and b., respectively, with the aim of improving the portfolio.

a. Acquired Assets

| Property no. | Asset Type | Property name | Location | Acquisition Price (million yen) *1 | Acquisition date |
|--------------|---------------------|---|------------------------------------|---------------------------------------|------------------|
| 13103 | Commercial Facility | fab Minamiosawa | Hachioji City, Tokyo Prefecture | 3,600 | June 28, 2024 |
| 16103 | Commercial Facility | tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition) *2 | Yamatotakada City, Nara Prefecture | 4,058 | June 28, 2024 |
| 39101 | Other | Hasekura Medical Building | Sendai City, Miyagi Prefecture | 1,400 | June 28, 2024 |
| Total | | | | 9,058 | |

* In addition to the three properties described above, ESCON REIT acquired the building (separate building) of Asumigaoka Brand-New Mall with no consideration, from Akindo Sushiro Co., Ltd. on April 30, 2024.

b. Disposed Assets

| Property no. | Asset Type | Property name | Location | Disposition Price (million yen) *1 | Disposition date |
|--------------|---------------------|---------------------------------------|-----------------------------------|---------------------------------------|------------------|
| 15101 | Commercial Facility | Yoshizuya Y Store Nishiharu | Kitanagoya City, Aichi Prefecture | 4,000 | June 27, 2024 |
| 16204 | Commercial Facility | TSUTAYA Sakai-minami (leasehold land) | Sakai City, Osaka Prefecture | 974 | June 27, 2024 |
| 16205 | Commercial Facility | LIFE Daisen (leasehold land) | Sakai City, Osaka Prefecture | 3,325 | June 27, 2024 |
| Total | | | | 8,300 | |

As a result of the management activities described above, ESCON REIT owned 37 properties as of the end of the current fiscal period, and the occupancy rate remained high at 99.8%*3.

Furthermore, ESCON REIT and the Asset Manager are promoting initiatives to reduce the impact on the environment and revitalize local communities, based on the recognition that ESG initiatives contribute to increasing unitholder value. During the current fiscal period, ESCON REIT reacquired the DBJ Green Building Certifications (evaluation rank: three stars) from Development Bank of Japan Inc. for three owned properties (Asumigaoka Brand-New Mall, tonarie Minami-senri, and tonarie Seiwadai) as building unites that demonstrate exceptional consideration for the environment and society, and, as of the end of the current fiscal period, ESCON REIT acquired the DBJ Green Building Certifications with five properties (Asumigaoka Brand-New Mall, tonarie Minami-senri, tonarie Seiwadai, tonarie Yamatotakada, and tonarie Toga Mikita).

*1. The "Acquisition Price" and "Disposition Price" are the purchase prices of each trust beneficiary interest, as stated in each sales and purchase agreement for the Acquisition Assets and Disposition Assets, rounded down to the nearest million yen. Therefore, the "Acquisition Price" and "Disposition Price" total may not agree to the total portfolio. The purchase price does not include consumption tax, local consumption tax, and other disposition-related costs.

*2. ESCON REIT and Chuden Real Estate Co., Inc. (hereinafter "Chuden Real Estate") each acquired a 50% quasi co-ownership of the trust beneficiary interest of "tonairie Yamatotakada" on February 4, 2020. On June 28, 2024, ESCON REI purchased the 50% owned by Chuden Real Estate and as a result of the acquisition, ESCON REIT holds 100% of the trust beneficiary interest for "tonarie Yamatotakada".

*3. 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.

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

(3) Procurement of funds

In the current fiscal period, upon the acquisition and disposition of the three properties mentioned in (2). a. and b. above, ESCON REIT raised funds of 1,066 million yen by issuing 8,700 new investment units by third-party allotment with a payment date of June 11, 2024, to Chuden Real Estate, a support company of ESCON REIT. As a result, total unitholders' equity amounted to 39,173 million yen and the total number of investment units issued and outstanding was 360,667 units as of the end of the current fiscal

period. The balance of interest-bearing debt as of the end of the current fiscal period was 33,091 million yen, and the ratio of interest-bearing debt to total assets (hereinafter, "LTV") was 43.1%.

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

(4) Performance and distributions

As a result of the management activities described above, ESCON REIT posted operating revenue of 3,049 million yen, operating income of 1,312 million yen, ordinary income of 1,170 million yen and net income of 1,169 million yen for the current fiscal period. For distributions, ESCON REIT has decided to distribute an amount of 1,169 million yen as earnings distributions, which approximates the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,242 yen.

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

The Asset Manager changed the organizational structure to a company with an Audit and Supervisory Committee on June 28, 2022, and based on the Compliance Declaration established on August 31, 2022 and the Management Philosophy established on September 26, 2022, the Asset Manager has implemented various measures, including compliance with the operational rules such as the operational flow for property acquisition and other activities, the rules for ordering real estate appraisal, various regulations and manuals, and the monitoring of the ordering operations of real estate appraisal by the Compliance Dept., and the implementation of various training and assessment tests to continuously improve compliance systems related to conflicts of interest. Through these efforts, the Asset Manager has established a stronger governance system for the operation of ESCON REIT.

In addition, the Board of Directors of ESCON REIT is now composed of one Executive Director and two Supervisory Directors who have no relationship of special interest with the Asset Manager.

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

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

I. Activities of the Board of Directors of ESCON REIT

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

In addition, two separate meetings were held with the Asset Manager to share information in advance and to explain the agenda items of the Board of Directors meetings in advance.

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

a. Activities of the Board of Directors

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

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

b. Activities of the Audit and Supervisory Committee

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

III. Activities of the Compliance Committee of the Asset Manager

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

In the internal rules of the Asset Manager, when the Compliance Committee deliberates on the acquisition or disposition of properties with interested parties, it is mandatory for all four Directors of the Asset Manager other than the Compliance Committee members to attend, and the attendance rate for the current fiscal period was 100%.

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

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

The Investment Management Committee of the Asset Manager held the meeting seven times during the current fiscal period, and all seven members, comprising the six Investment Management Committee members, including external members, and one Compliance Officer attended all seven meetings. In the internal rules of the Asset Manager, when the Investment Management Committee deliberates on the acquisition or disposition of properties with interested parties, it is mandatory for all four Directors of the Asset Manager other than the Investment Management Committee members to attend, and the attendance rate for the current fiscal period was 100%.

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

3. Capital Increase

Changes for the past five years in the Unitholders' capital and the total number of issued and outstanding investment units for ESCON REIT through July 31, 2024 are as follows:

| Date | Summary | Total number of investment units issued and outstanding (units) | | Unitholders' capital (Million yen) | | Remarks |
|-------------------|--|---|---------|------------------------------------|---------|---------|
| | | Increase (decrease) | Balance | Increase (decrease) | Balance | |
| February 3, 2020 | Capital increase through public offering | 43,792 | 280,792 | 5,236 | 28,177 | *1 |
| February 26, 2020 | Capital increase through third-party allotment | 2,190 | 282,982 | 261 | 28,439 | *2 |
| August 2, 2021 | Capital increase through public offering | 65,700 | 348,682 | 9,207 | 37,646 | *3 |
| August 24, 2021 | Capital increase through third-party allotment | 3,285 | 351,967 | 460 | 38,107 | *4 |
| June 11, 2024 | Capital increase through third-party allotment | 8,700 | 360,667 | 1,066 | 39,173 | *5 |

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

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

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

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

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

<Changes in exchange prices for investment securities>

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

| Fiscal period | 11th fiscal period | 12th fiscal period | 13th fiscal period | 14th fiscal period | 15th fiscal period |
|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| End of period | July 2022 | January 2023 | July 2023 | January 2024 | July 2024 |
| Highest (Yen) | 137,500 | 121,800 | 122,400 | 122,500 | 129,000 |
| Lowest (Yen) | 112,800 | 107,600 | 103,100 | 113,300 | 113,700 |

4. Distributions

During the current fiscal period, ESCON REIT decided to distribute a substantial amount of unappropriated retained earnings of 1,169 million yen in accordance with the distribution policy stipulated in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,242 yen.

| Fiscal period | 11th fiscal period From February 1, 2022 to July 31, 2022 | 12th fiscal period From August 1, 2022 to January 31, 2023 | 13th fiscal period From February 1, 2023 to July 31, 2023 | 14th fiscal period From August 1, 2023 to January 31, 2024 | 15th fiscal period From February 1, 2024 to July 31, 2024 |
|--|---|--|---|--|---|
| Total amount of unappropriated retained earnings (Thousand yen) | 1,268,499 | 1,859,465 | 1,139,874 | 1,136,067 | 1,169,446 |
| Retained earnings brought forward (Thousand yen) | 10 | 24 | 205 | 270 | 164 |
| Total cash distributions (Thousand yen) | 1,268,489 | 1,859,441 | 1,139,669 | 1,135,797 | 1,169,282 |
| Distribution per unit (Yen) | 3,604 | 5,283 | 3,238 | 3,227 | 3,242 |
| Consisting of total earnings distributions (Thousand yen) | 1,268,489 | 1,859,441 | 1,139,669 | 1,135,797 | 1,169,282 |
| Earnings distribution per unit (Yen) | 3,604 | 5,283 | 3,238 | 3,227 | 3,242 |
| Consisting of total contribution refunds (Thousand yen) | - | - | - | - | - |
| Contribution refund per unit (Yen) | - | - | - | - | - |
| Total distributions from allowance for temporary difference adjustments out of total contribution refunds (Thousand yen) | - | - | - | - | - |
| Distribution from allowance for temporary difference adjustments per unit out of per-unit contribution refund (Yen) | - | - | - | - | - |
| Total distributions from capital reduction for tax purposes out of total contribution refunds (Thousand yen) | - | - | - | - | - |
| Distribution from capital reduction for tax purposes per unit out of per-unit contribution refund (Yen) | - | - | - | - | - |

5. Future Management Policies and Issues to be Addressed

(1) Outlook for the overall management environment

The Japanese economy is expected to recover gradually in the near term, with the overseas economy continuing to grow moderately, and the effects of various policies amidst the improvements in the employment and income environment and consumer sentiment. In the real estate market, while there is a strong awareness of rising interest rates, investment appetite remains high, and land prices in major urban areas are on an upward trend for both residential and commercial land and are expected to remain firm in the future. However, it is necessary to pay more attention than ever to the effects of fluctuations in interest rates and exchange rates, and other factors.

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

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

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

a. Initiatives to improve lease revenue

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

b. Initiatives to increase asset value

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

(3) External growth pursuing portfolio stability and growth potential

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*, 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.) ESCON REIT actively acquire high-quality properties from third parties by continuously acquiring outside information on properties in addition to information from our sponsors ES-CON JAPAN and Chubu Electric Power Group, aiming to expand ESCON REIT's asset size, improve the quality of our portfolio, and achieve steady external growth.

* 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.

(4) Financial policy

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

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

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

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

6. Significant subsequent events

Not applicable.

Overview of ESCON REIT

1. Investment Status

| | 11th fiscal period ended July 31, 2022 | 12th fiscal period ended January 31, 2023 | 13th fiscal period ended July 31, 2023 | 14th fiscal period ended January 31, 2024 | 15th fiscal period ended July 31, 2024 |
|---|--|---|--|---|--|
| Total number of investment units authorized (units) | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |
| Total number of investment units issued and outstanding (units) | 351,967 | 351,967 | 351,967 | 351,967 | 360,667 |
| Total amount of investment (Million yen) | 38,107 | 38,107 | 38,107 | 38,107 | 39,173 |
| Number of unitholders (people) | 14,639 | 15,754 | 16,336 | 16,385 | 16,454 |

2. Matters Concerning Investment Units

The major unitholders as of July 31, 2024 are as follows:

| Company name | Number of investment units held (units) | Ratio to total number of investment units issued and outstanding (%) * |
|---|---|--|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 36,668 | 10.2 |
| Custody Bank of Japan, Ltd. (Trust Account) | 35,463 | 9.8 |
| Osaka Co-sei Shinkin Bank | 20,940 | 5.8 |
| ES-CON JAPAN Ltd. | 16,894 | 4.7 |
| The Nomura Trust and Banking Co., Ltd. (Investment Trust Account) | 13,334 | 3.7 |
| Chuden Real Estate Co., Inc. | 8,700 | 2.4 |
| Daido Shinkumi Bank | 6,415 | 1.8 |
| Kinkisangyo Shinkumi Bank | 6,226 | 1.7 |
| Osaka Shoko Shinkin Bank | 5,487 | 1.5 |
| THE SAIKYO BANK, LTD. | 4,950 | 1.4 |
| Total | 155,077 | 43.0 |

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

3. Matters Concerning Officers

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

| Title | Name | Major concurrent positions | Total remuneration for each officer during the current fiscal period (Thousand yen)*2*3 |
|------------------------|-----------------|---|---|
| Executive Director*1 | Tadashi Ebihara | Tower Management Co., Ltd. President & Representative Director | 2,400 |
| Supervisory Director*1 | Satoshi Ugajin | JBA Holdings Co., Ltd. Scala Inc. JBA HR Solution Co., Ltd. JBA Financial Advisory Co., Ltd. Director Outside Director President and Representative Director President and Representative Director | 3,000 |
| | Rin Moriguchi | Momo-o, Matsuo & Namba Law Firm Partner Attorney | |
| Audit Firm | BDO Sanyu & Co. | — | 9,800 |

*1 The Executive Director and the Supervisory Director does not own investment units of ESCON REIT in their own name, or in the name of others. In addition, the Supervisory Directors may be directors of corporations other than those listed above, but none of them, including those listed above, have any interest in ESCON REIT.

*2 For the executive director and supervisory directors, the amounts paid for the current fiscal period, and for the fees paid to the audit firm, the amounts to be paid for the financial statement audit during the current fiscal period (estimated amount) have been disclosed.

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

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

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

4. Matters Concerning Liability insurance policies for directors and officers

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

| Scope of the Insured Persons | Summary of Contract |
|---|---|
| All executive and supervisory directors | <p><Summary of Accidents Covered by Insurance> ESCON REIT has entered into a liability insurance policy for directors and officers with an insurance company as stipulated in Article 116-3, Paragraph 1 of the Investment Trust Law, and the policy will cover certain damages to be borne by the insured person due to claims for damages arising from actions taken by the insured person based on his or her role as a director of ESCON REIT.</p> <p><Premium contribution ratio> The premiums for all insured persons are fully paid by ESCON REIT.</p> <p><Measures to ensure that the appropriate execution of duties is not compromised> Damages incurred by the insured person due to breach of trust, criminal or fraudulent acts, or acts committed with knowledge of violation of laws and regulations are not covered.</p> |

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

As of July 31, 2024, the Asset Management Company, Asset Custodian, and Administrative Agents for ESCON REIT are as follows:

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

Status of Portfolio Assets

1. Composition of Assets

| Asset type | Region | 14th fiscal period As of January 31, 2024 | | 15th fiscal period As of July 31, 2024 | |
|----------------------------|-------------------------|--|---------------------------------|---|---------------------------------|
| | | Total holdings (Million yen) *1 | Ratio to total assets (%) *2 | Total holdings (Million yen) *1 | Ratio to total assets (%) *2 |
| Real estate | Chubu region | 5 | 0.0 | — | — |
| Total real estate | | 5 | 0.0 | — | — |
| Real estate in trust | Hokkaido region | 1,310 | 1.7 | 1,310 | 1.7 |
| | Tokyo metropolitan area | 7,729 | 10.2 | 11,482 | 15.0 |
| | Chubu region | 5,000 | 6.6 | 483 | 0.6 |
| | Kinki region | 34,267 | 45.4 | 34,575 | 45.0 |
| | Kyushu region | 15,132 | 20.0 | 15,121 | 19.7 |
| | Other areas | 6,024 | 8.0 | 7,425 | 9.7 |
| Total real estate in trust | | 69,465 | 92.0 | 70,400 | 91.7 |
| Deposits and other assets | | 6,060 | 8.0 | 6,369 | 8.3 |
| Total assets | | 75,530 | 100.0 | 76,770 | 100.0 |

*1 “Total holdings” is based on the balance sheet amount as of the end of each fiscal period, truncated to the nearest million yen.

*2 The “Ratio to total assets” is rounded to the nearest first decimal place.

2. Major Assets

The following is a summary of the major assets (top 10 properties by book value) held by ESCON REIT as of July 31, 2024:

| Property number | Property name | Book value (Million yen) *1 | Leasable area (m ²) *2 | Leased area (m ²) *2 | Occupancy rate (%) *3 | Ratio to total real estate leasing revenue (%) | Primary use |
|-----------------|---|-----------------------------------|--|--|--------------------------------|---|---------------------|
| 16103 | tonarie Yamatotakada | 8,109 | 14,414.75 | 14,414.75 | 100.0 | 8.6 | Commercial facility |
| 16101 | tonarie Minami-senri | 7,292 | 7,594.00 | 7,560.70 | 99.6 | 13.3 | Commercial facility |
| 16104 | tonarie Toga-Mikita | 6,801 | 8,471.24 | 8,471.24 | 100.0 | 10.5 | Commercial facility |
| 18101 | SUROY Mall Nagamine | 4,584 | 12,622.98 | 12,622.98 | 100.0 | 7.4 | Commercial facility |
| 19101 | Fuji Grand Natalie | 3,867 | 28,543.96 | 28,543.96 | 100.0 | Not disclosed *4 | Commercial facility |
| 13103 | fab Minamiosawa | 3,751 | 8,418.42 | 7,783.62 | 92.5 | 1.0 | Commercial facility |
| 18201 | MrMax Kasuga (Leasehold land) | 3,428 | 38,113.27 | 38,113.27 | 100.0 | 3.4 | Commercial facility |
| 16102 | tonarie Seiwadai | 3,167 | 8,798.01 | 8,717.16 | 99.1 | 7.0 | Commercial facility |
| 13101 | Asumigaoka Brand-New Mall | 3,162 | 22,908.31 | 22,834.56 | 99.7 | 10.0 | Commercial facility |
| | Asumigaoka Brand-New Mall (Leasehold land) | | 1,472.64 | 1,472.64 | 100.0 | | |
| 13201 | K's Denki Oyumino (Leasehold land) | 2,737 | 23,379.50 | 23,379.50 | 100.0 | 2.8 | Commercial facility |
| | Total | 46,903 | 174,737.08 | 173,914.38 | 99.5 | - | |

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

*2 “Leasable area” is the total area considered available for lease in the acquired assets (if the acquired asset is leasehold lands, such lands) as of July 31, 2024, based on the various lease agreements, reports prepared by property management companies, or building plans. In addition, the Leased Area for assets for which a master lease agreement has been concluded is the total area that has been leased to end tenants with sublease agreements. For the “Fuji Grand Natalie” facility, Fuji Corporation has entered into a lease agreement for the whole building and is covered by the “leased area”. The amounts are rounded off to the second decimal point.

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

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

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

3. Real Estate Assets in the Portfolio

The following is a summary of assets held by ESCON REIT as of July 31, 2024:

| Property number | Property name | Location | Type of ownership *1 | Book value (Million yen) | Appraisal value at end of period (Million yen) *2 |
|-----------------|--|---------------------------------------|--------------------------------|-----------------------------|--|
| 11201 | YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land) | Sapporo City, Hokkaido Prefecture | Trust beneficiary interests | 1,310 | 1,340 |
| 13101 | Asumigaoka Brand-New Mall *3 | Chiba City, Chiba Prefecture | Trust beneficiary interests | 3,162 | (1) 3,200 (2) 161 |
| | Asumigaoka Brand-New Mall (Leasehold land) *4 | | | | 150 |
| 13102 | Nishi-shiroi Ekimae Plaza | Shiroi City, Chiba Prefecture | Trust beneficiary interests | 455 | 470 |
| 13103 | fab Minamiosawa | Hachioji City, Tokyo Prefecture | Trust beneficiary interests | 3,751 | 4,320 |
| 13201 | K's Denki Oyumino (Leasehold land) | Chiba City, Chiba Prefecture | Trust beneficiary interests | 2,737 | 2,880 |
| 13202 | Nitori Tsuchiura (Leasehold land) | Tsuchiura City, Ibaraki Prefecture | Trust beneficiary interests | 1,007 | 1,100 |
| 13203 | Nitori Imaichi (Leasehold land) | Nikko City, Tochigi Prefecture | Trust beneficiary interests | 368 | 410 |
| 15201 | MaxValu Kikyogaoka-higashi (Leasehold land) | Nabari City, Mie Prefecture | Trust beneficiary interests | 483 | 554 |
| 16101 | tonarie Minami-senri | Suita City, Osaka Prefecture | Trust beneficiary interests | 7,292 | 9,700 |
| 16102 | tonarie Seiwadai | Kawanishi City, Hyogo Prefecture | Trust beneficiary interests | 3,167 | 3,350 |
| 16103 | tonarie Yamatotakada | Yamatotakada City, Nara Prefecture | Trust beneficiary interests | 8,109 | 8,150 |
| 16104 | tonarie Toga-Mikita | Sakai City, Osaka Prefecture | Trust beneficiary interests | 6,801 | 7,210 |
| 16201 | LAMU Kitatsumori (Leasehold land) | Osaka City, Osaka Prefecture | Trust beneficiary interests | 1,284 | 1,480 |
| 16202 | K's Denki Nishi-kobe (Leasehold land) | Kobe City, Hyogo Prefecture | Trust beneficiary interests | 2,154 | 2,470 |
| 16203 | Sanyo Marunaka Mitani (Leasehold land) | Kobe City, Hyogo Prefecture | Trust beneficiary interests | 1,443 | 1,550 |
| 16206 | TRIAL Omihachiman (Leasehold land) | Omihachiman City, Shiga Prefecture | Trust beneficiary interests | 1,019 | 1,110 |
| 16207 | Kusuri no Aoki Ikaruga (Leasehold land) *5 | Ikoma District, Nara Prefecture | Trust beneficiary interests | 718 | (1)702 (2) 29 |
| 16208 | DRUG Yutaka Mukokamiueno (Leasehold land) | Muko City, Kyoto Prefecture | Trust beneficiary interests | 464 | 477 |
| 16209 | WELCIA Amagasaki Mukomotomachi (Leasehold land) | Amagasaki City, Hyogo Prefecture | Trust beneficiary interests | 571 | 577 |
| 16210 | Cocokara Fine Neyagawakoen (Leasehold land) | Neyagawa City, Osaka Prefecture | Trust beneficiary interests | 709 | 720 |
| 16211 | ENEOS Ikawadani SS (Leasehold land) | Kobe City, Hyogo Prefecture | Trust beneficiary interests | 535 | 531 |
| 16212 | GEO Hikone Takamiya (Leasehold land) | Hikone City, Shiga Prefecture | Trust beneficiary interests | 304 | 303 |
| 18101 | SUROY MALL Nagamine | Kumamoto City, Kumamoto Prefecture | Trust beneficiary interests | 4,584 | 4,500 |

| Property number | Property name | Location | Type of ownership *1 | Book value (Million yen) | Appraisal value at end of period (Million yen) *2 |
|-----------------|--|---|--------------------------------|-----------------------------|--|
| 18201 | MrMAX Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 3,428 | 3,980 |
| 18202 | UNIQLO Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 601 | 680 |
| 18203 | Avail.Shimamura Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 874 | 1,120 |
| 18204 | au-SoftBank Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 145 | 160 |
| 18205 | Kura Sushi Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 264 | 304 |
| 18206 | docomo Shop Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 163 | 181 |
| 18207 | Konpira Maru Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 239 | 265 |
| 18208 | One-Karubi Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 239 | 265 |
| 18209 | Suke-san Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 405 | 421 |
| 18210 | NAFCO Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 2,666 | 3,500 |
| 18211 | K's Denki Kasuga (Leasehold land) | Kasuga City, Fukuoka Prefecture | Trust beneficiary interests | 1,506 | 1,880 |
| 19101 | Fuji Grand Natalie | Hatsukaichi City, Hiroshima Prefecture | Trust beneficiary interests | 3,867 | 4,110 |
| 19201 | K's Denki Kurashiki (Leasehold land) | Kurashiki City, Okayama Prefecture | Trust beneficiary interests | 2,136 | 2,460 |
| 39101 | Hasekura Medical Building | Sendai City, Miyagi Prefecture | Trust beneficiary interests | 1,421 | 1,480 |
| | Total | | | 70,400 | 78,250 |

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

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

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

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

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

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

| Property number | Property name | 14th fiscal period From August 1, 2023 to January 31, 2024 | | | | 15th fiscal period From February 1, 2024 to July 31, 2024 | | | |
|-----------------|---|---|---|---|---|--|---|---|---|
| | | Total number of tenants | Occupancy rate | Real estate leasing business revenue | Percentage of total real estate leasing revenue | Total number of tenants | Occupancy rate | Real estate leasing business revenue | Percentage of total real estate leasing revenue |
| | | (As of the end of the fiscal period) *1 | (As of the end of the fiscal period) (%) *2 | (During the fiscal period) (Million yen) *3 | (%) *4 | (As of the end of the fiscal period) *1 | (As of the end of the fiscal period) (%) *2 | (During the fiscal period) (Million yen) *3 | (%) *4 |
| 11201 | YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 13101 | Asumigaoka Brand-New Mall | 28 | 87.8 | 247 | 10.1 | 30 | 99.7 | 249 | 10.0 |
| | Asumigaoka Brand-New Mall (Leasehold land) | 2 | 100.0 | | | 1 | 100.0 | | |
| 13102 | Nishi-shiroi Ekimae Plaza | 4 | 100.0 | 19 | 0.8 | 4 | 100.0 | 20 | 0.8 |
| 13103 | fab Minamiosawa | - | - | - | - | 12 | 92.5 | 24 | 1.0 |
| 13201 | K's Denki Oyumino (Leasehold land) | 1 | 100.0 | 70 | 2.9 | 1 | 100.0 | 70 | 2.8 |
| 13202 | Nitori Tsuchiura (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 13203 | Nitori Imaichi (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 15101 | Yoshizuya Y Store Nishiharu*6 | 56 | 99.7 | 114 | 4.7 | - | - | 93 | 3.8 |
| 15201 | MaxValu Kikyogaoka-higashi (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16101 | tonarie Minami-senri | 45 | 98.4 | 328 | 13.4 | 45 | 99.6 | 331 | 13.3 |
| 16102 | tonarie Seiwadai | 32 | 100.0 | 169 | 7.0 | 31 | 99.1 | 173 | 7.0 |
| 16103 | tonarie Yamatotakada | 66 | 100.0 | 178 | 7.3 | 66 | 100.0 | 212 | 8.6 |
| 16104 | tonarie Toga・Mikita | 31 | 100.0 | 258 | 10.6 | 31 | 100.0 | 261 | 10.5 |
| 16201 | LAMU Kitatsumori (Leasehold land) | 1 | 100.0 | 38 | 1.6 | 1 | 100.0 | 38 | 1.5 |
| 16202 | K's Denki Nishi-kobe (Leasehold land) | 1 | 100.0 | 62 | 2.5 | 1 | 100.0 | 62 | 2.5 |
| 16203 | Sanyo Marunaka Mitani (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16204 | TSUTAYA Sakai-minami (Leasehold land) *6 | 1 | 100.0 | 21 | 0.9 | - | - | 17 | 0.7 |
| 16205 | LIFE Daisen (Leasehold land) *6 | 1 | 100.0 | 72 | 2.9 | - | - | 58 | 2.3 |
| 16206 | TRIAL Omihachiman (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16207 | Kusuri no Aoki Ikaruga (Leasehold land) *4 | 2 | 100.0 | Not disclosed *5 | Not disclosed *5 | 2 | 100.0 | Not disclosed *5 | Not disclosed *5 |

| Property number | Property name | 14th fiscal period From August 1, 2023 to January 31, 2024 | | | | 15th fiscal period From February 1, 2024 to July 31, 2024 | | | |
|-----------------|---|---|---|---|---|--|---|---|---|
| | | Total number of tenants | Occupancy rate | Real estate leasing business revenue | Percentage of total real estate leasing revenue | Total number of tenants | Occupancy rate | Real estate leasing business revenue | Percentage of total real estate leasing revenue |
| | | (As of the end of the fiscal period) *1 | (As of the end of the fiscal period) (%) *2 | (During the fiscal period) (Million yen) *3 | (%) | (As of the end of the fiscal period) *1 | (As of the end of the fiscal period) (%) *2 | (During the fiscal period) (Million yen) *3 | (%) |
| 16208 | DRUG Yutaka Mukokamiueno (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16209 | WELCIA Amagasaki Mukomotomachi (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16210 | Cocokara Fine Neyagawakoen (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16211 | ENEOS Ikawadani SS (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 16212 | GEO Hikone Takamiya (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 18101 | SUROY MALL Nagamine | 24 | 100.0 | 185 | 7.6 | 24 | 100.0 | 185 | 7.4 |
| 18201 | MrMAX Kasuga (Leasehold land) | 1 | 100.0 | 84 | 3.5 | 1 | 100.0 | 84 | 3.4 |
| 18202 | UNIQLO Kasuga (Leasehold land) | 1 | 100.0 | 13 | 0.6 | 1 | 100.0 | 13 | 0.6 |
| 18203 | Avail.Shimamura Kasuga (Leasehold land) | 1 | 100.0 | 23 | 1.0 | 1 | 100.0 | 23 | 0.9 |
| 18204 | au-SoftBank Kasuga (Leasehold land) | 1 | 100.0 | 3 | 0.2 | 1 | 100.0 | 3 | 0.2 |
| 18205 | Kura Sushi Kasuga (Leasehold land) | 1 | 100.0 | 7 | 0.3 | 1 | 100.0 | 7 | 0.3 |
| 18206 | docomo Shop Kasuga (Leasehold land) | 1 | 100.0 | 4 | 0.2 | 1 | 100.0 | 4 | 0.2 |
| 18207 | Konpira Maru Kasuga (Leasehold land) | 1 | 100.0 | 6 | 0.3 | 1 | 100.0 | 6 | 0.3 |
| 18208 | One-Karubi Kasuga (Leasehold land) | 1 | 100.0 | 6 | 0.3 | 1 | 100.0 | 6 | 0.3 |
| 18209 | Suke-san Kasuga (Leasehold land) | 1 | 100.0 | 10 | 0.4 | 1 | 100.0 | 10 | 0.4 |
| 18210 | NAFCO Kasuga (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 18211 | K's Denki Kasuga (Leasehold land) | 1 | 100.0 | 37 | 1.5 | 1 | 100.0 | 37 | 1.5 |
| 19101 | Fuji Grand Natalie | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 19201 | K's Denki Kurashiki (Leasehold land) | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 | 1 | 100.0 | Not disclosed *5 | Not disclosed *5 |
| 39101 | Hasekura Medical Building | – | – | – | – | 6 | 100.0 | 8 | 0.4 |
| | Total | 319 | 99.3 | 2,444 | 100.0 | 279 | 99.8 | 2,485 | 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. The occupancy rate is calculated by the calculation formula below based on data as of the closing date and rounded off to the nearest first decimal place.
Occupancy rate = Leased area / Leasable area × 100
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 14th 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 fact that the floor is vacant, the occupancy rate after deducting the leased area of the third floor is 82.8% for 14th fiscal period. The overall occupancy rate for the entire portfolio after taking this into account would be 98.2% for 14th fiscal period. Occupancy rate for the 15th fiscal period has not been calculated because this property was disposed on June 27, 2024.
- *3. The real estate leasing business revenue is rounded off to the stated value.
- *4. The Property has fixed-term business-use land lease agreements with two lessees, Kusuri no Aoki Co., Ltd., and Ikaritombo Co., Ltd. Each figure is the sum of the figures for the two lessees.
- *5. The figure is not disclosed as consent has not been obtained from the lessee or other parties.
- *6. Yoshizuya Y Store Nishiharu, TSUTAYA Sakai-minami (Leasehold land) and Life Daisen (Leasehold land) were disposed on June 27, 2024. The "Total number of tenants (As of the end of the fiscal period)" and "Occupancy rate (As of the end of the fiscal period)" for these properties have not been calculated, and "Real estate leasing business revenue (During the fiscal period)" and "Ratio to total rent revenue" are the figures corresponding to the period during which ESCON REIT held these properties in the 15th fiscal period.

4. Description of Renewable Energy Power Generation Facilities

Not applicable.

5. Description of Operating Rights of Public Facilities

Not applicable.

6. Description of Portfolio in securities

Not applicable.

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

The following is a summary of outstanding contracted amount and fair value of specified transactions of ESCON REIT as of July 31, 2024

| Classification | Type | Contract Amounts (Thousand yen) *1 | | Fair Value (Thousand yen) |
|-------------------------|--|------------------------------------|------------------|------------------------------|
| | | | Due after 1 Year | |
| Non-market transactions | Interest Rate Swap Receive-floating/pay-fixed | 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. The transaction meets the requirements for Special Treatment under the Accounting Standard for Financial Instruments, and accordingly, the Fair Value is omitted.

8. Status of Other Assets

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

9. Asset Holdings by Country and Region

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

Capital Expenditures on Real Estate Holdings

1. Planned Capital Expenditures

A schedule of major capital expenditures for renovation work, currently planned for the assets held as of July 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 | Renovation work | From September 2024 to March 2025 | 311 | — | — |
| Asumigaoka Brand-New Mall | Chiba City, Chiba Prefecture | Full waterproofing work on the rooftop parking lot | From April 2025 to July 2025 | 84 | | |

2. Capital Expenditures During the Fiscal 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 July 31, 2024. A major construction project is reported when 1% or more of the book value exists at the end of the period.

3. Money Set Aside for Long-Term Repair Projects

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

| Business period | 11th fiscal period From February 1, 2022 to July 31, 2022 | 12th fiscal period From August 1, 2022 to January 31, 2023 | 13th fiscal period From February 1, 2023 to July 31, 2023 | 14th fiscal period From August 1, 2023 to January 31, 2024 | 15th fiscal period From February 1, 2024 to July 31, 2024 |
|---|---|--|---|--|---|
| Reserve balance at beginning of fiscal period (Million yen) | 124 | 152 | 121 | 136 | 153 |
| Amount accumulated during the fiscal period (Million yen) | 27 | 11 | 15 | 21 | 20 |
| Amount reversed during the fiscal period (Million yen) | - | 41 | - | 5 | 67 |
| Amount carried over to the next fiscal period (Million yen) | 152 | 121 | 136 | 153 | 105 |

Expenses and Liabilities

1. Breakdown of Operational Expenses

(Unit: Thousand yen)

| Item | 14th fiscal period From August 1, 2023 to January 31, 2024 | 15th fiscal period From February 1, 2024 to July 31, 2024 |
|---------------------------|--|---|
| Asset management fees* | 139,141 | 137,799 |
| Asset custody fees | 3,648 | 3,658 |
| Administrative agent fees | 12,209 | 12,573 |
| Directors' remuneration | 4,500 | 5,400 |
| Taxes and public dues | 10,592 | 20,539 |
| Other expenses | 51,776 | 48,879 |
| Total | 221,867 | 228,851 |

* In addition to the amounts described above, "Asset management fees" includes 70,290 thousand yen in fees for property acquisitions that were included in the book value of individual investment properties and 41,500 thousand yen in fees for property dispositions that were deducted from the gain or loss on sales of individual investment properties in the 15th fiscal period. There is no applicable information for the 14th fiscal period.

2. Status of Borrowings

The status of borrowings as of July 31, 2024 is as follows:

| Classification | Lender | Date of borrowing | Balance at beginning of fiscal period (Thousand yen) | Balance at end of fiscal period (Thousand yen) | Average interest rate *2 (%) | Date of Repayment | Repayment Method | Use of funds | Summary |
|------------------------|-------------------------------------|-------------------|---|---|------------------------------------|-------------------|------------------|--------------|----------------------------|
| Long-term borrowings*1 | Mizuho Bank, Ltd. | August 3, 2021 | 687,000 | 687,000 | 0.522 | July 31, 2025 | Bullet repayment | *3 | Unsecured/ Unguaranteed |
| | The Bank of Yokohama, Ltd. | | 450,000 | 450,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | | 400,000 | 400,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 400,000 | 400,000 | | | | | |
| | The Aichi Bank, Ltd. | | 300,000 | 300,000 | | | | | |
| | Resona Bank, Limited | | 250,000 | 250,000 | | | | | |
| | The Minato Bank, Ltd. | | 200,000 | 200,000 | | | | | |
| | Mizuho Trust & Banking Co., Ltd. | | 200,000 | 200,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | August 3, 2021 | 500,000 | 500,000 | 0.622 | July 31, 2026 | Bullet repayment | *3 | Unsecured/ Unguaranteed |
| | Sumitomo Mitsui Trust Bank, Limited | | 400,000 | 400,000 | | | | | |
| | MUFG Bank, Ltd. | | 400,000 | 400,000 | | | | | |
| | The Yamaguchi Bank, Ltd. | | 400,000 | 400,000 | | | | | |
| | Resona Bank, Limited | | 350,000 | 350,000 | | | | | |
| | Mizuho Bank, Ltd. | | 337,000 | 337,000 | | | | | |
| | The Hyakugo Bank, Ltd. | | 300,000 | 300,000 | | | | | |
| | The Minato Bank, Ltd. | | 200,000 | 200,000 | | | | | |

| Classification | Lender | Date of borrowing | Balance at beginning of fiscal period (Thousand yen) | Balance at end of fiscal period (Thousand yen) | Average interest rate *2 (%) | Date of Repayment | Repayment Method | Use of funds | Summary |
|------------------------|-------------------------------------|-------------------|---|---|------------------------------------|-------------------|------------------|--------------|----------------------------|
| Long-term borrowings*1 | Mizuho Bank, Ltd. | August 3, 2021 | 737,000 | 737,000 | 0.672 | July 31, 2027 | Bullet repayment | *3 | Unsecured/ Unguaranteed |
| | The Chukyo Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | AEON Bank, Ltd. | | 400,000 | 400,000 | | | | | |
| | The Yamaguchi Bank, Ltd. | | 400,000 | 400,000 | | | | | |
| | The Bank of Yokohama, Ltd. | | 350,000 | 350,000 | | | | | |
| | The Minato Bank, Ltd. | | 300,000 | 300,000 | | | | | |
| | MUFG Bank, Ltd. | | 200,000 | 200,000 | | | | | |
| | The Bank of Fukuoka, Ltd. | January 31, 2022 | 990,000 | 990,000 | 0.472 | January 31, 2025 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | Resona Bank, Limited | | 750,000 | 750,000 | | | | | |
| | Mizuho Bank, Ltd. | | 271,000 | 271,000 | | | | | |
| | The Chiba Bank, Ltd. | | 250,000 | 250,000 | | | | | |
| | The Minato Bank, Ltd. | | 125,000 | 125,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | January 31, 2022 | 882,500 | 882,500 | 0.522 | January 31, 2026 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | The Bank of Fukuoka, Ltd. | | 540,000 | 540,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 500,000 | 500,000 | | | | | |
| | AEON Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | MUFG Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | Mizuho Bank, Ltd. | | 177,000 | 177,000 | | | | | |
| | The Minato Bank, Ltd. | | 125,000 | 125,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | January 31, 2022 | 882,500 | 882,500 | 0.622 | January 31, 2027 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | Sumitomo Mitsui Trust Bank, Limited | | 500,000 | 500,000 | | | | | |
| | AEON Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | MUFG Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | The Senshu Ikeda Bank, Ltd. | | 250,000 | 250,000 | | | | | |
| | Mizuho Bank, Ltd. | | 217,000 | 217,000 | | | | | |
| | Mizuho Bank, Ltd. | January 31, 2022 | 1,000,000 | 1,000,000 | 0.672 | January 31, 2028 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | The Yamaguchi Bank, Ltd. | | 500,000 | 500,000 | | | | | |

| Classification | Lender | Date of borrowing | Balance at beginning of fiscal period (Thousand yen) | Balance at end of fiscal period (Thousand yen) | Average interest rate *2 (%) | Date of Repayment | Repayment Method | Use of funds | Summary |
|------------------------------------|-------------------------------------|-------------------|---|---|------------------------------------|-------------------|------------------|--------------|----------------------------|
| Long-term borrowings ^{*1} | AEON Bank, Ltd. | January 31, 2023 | 1,000,000 | 1,000,000 | 0.572 | January 31, 2026 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | MUFG Bank, Ltd. | | 1,000,000 | 1,000,000 | | | | | |
| | Resona Bank, Limited | | 750,000 | 750,000 | | | | | |
| | The Bank of Fukuoka, Ltd. | | 715,000 | 715,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | | 441,250 | 441,250 | | | | | |
| | Mizuho Bank, Ltd. | | 416,250 | 416,250 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 250,000 | 250,000 | | | | | |
| | The Bank of Fukuoka, Ltd. | January 31, 2023 | 715,000 | 715,000 | 0.622 | January 31, 2027 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | Sumitomo Mitsui Banking Corporation | | 441,250 | 441,250 | | | | | |
| | Mizuho Bank, Ltd. | | 416,250 | 416,250 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 250,000 | 250,000 | | | | | |
| | Sumitomo Mitsui Banking Corporation | January 31, 2023 | 882,500 | 882,500 | 0.722 | January 31, 2028 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | Mizuho Bank, Ltd. | | 832,500 | 832,500 | | | | | |
| | The Minato Bank, Ltd. | | 750,000 | 750,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 500,000 | 500,000 | | | | | |
| | The Yamaguchi Bank, Ltd. | | 250,000 | 250,000 | | | | | |
| | The Senshu Ikeda Bank, Ltd. | | 250,000 | 250,000 | | | | | |
| | Mizuho Bank, Ltd. | January 31, 2024 | 393,700 | 393,700 | 0.372 | July 31, 2025 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | Resona Bank, Limited | | 100,000 | 100,000 | | | | | |
| | Mizuho Trust & Banking Co., Ltd. | | 100,000 | 100,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 98,000 | 98,000 | | | | | |
| | The Aichi Bank, Ltd. | January 31, 2024 | 600,000 | 600,000 | 0.422 | July 31, 2026 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | The Hyakugo Bank, Ltd. | | 500,000 | 500,000 | | | | | |
| | Mizuho Bank, Ltd. | | 393,700 | 393,700 | | | | | |
| | The Bank of Fukuoka, Ltd. | | 250,000 | 250,000 | | | | | |
| | Resona Bank, Limited | | 100,000 | 100,000 | | | | | |
| | Mizuho Trust & Banking Co., Ltd. | | 100,000 | 100,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 98,000 | 98,000 | | | | | |
| | Mizuho Bank, Ltd. | January 31, 2024 | 422,600 | 422,600 | 1.166 | January 31, 2029 | Bullet repayment | *4 | Unsecured/ Unguaranteed |
| | AEON Bank, Ltd. | | 400,000 | 400,000 | | | | | |
| | The Minato Bank, Ltd. | | 300,000 | 300,000 | | | | | |

| Classification | Lender | Date of borrowing | Balance at beginning of fiscal period (Thousand yen) | Balance at end of fiscal period (Thousand yen) | Average interest rate *2 (%) | Date of Repayment | Repayment Method | Use of funds | Summary |
|------------------|-------------------------------------|-------------------|---|---|------------------------------------|-------------------|------------------|--------------|---------|
| | The Bank of Fukuoka, Ltd. | | 250,000 | 250,000 | | | | | |
| | The Senshu Ikeda Bank, Ltd. | | 200,000 | 200,000 | | | | | |
| | Sumitomo Mitsui Trust Bank, Limited | | 104,000 | 104,000 | | | | | |
| | Resona Bank, Limited | | 100,000 | 100,000 | | | | | |
| | Mizuho Trust & Banking Co., Ltd. | | 100,000 | 100,000 | | | | | |
| | Total of Long-term borrowings | | 33,091,000 | 33,091,000 | | | | | |
| Total borrowings | | | 33,091,000 | 33,091,000 | | | | | |

*1 “Long-term borrowings” includes debts which are scheduled for repayment within one year.

*2 The “average interest rate” is the weighted average for the fiscal period, rounded to the nearest third decimal place. For borrowings with interest rate swap transactions which were entered into for the purpose of avoiding interest rate fluctuation risk, the fixed interest rate that considers the impact of the interest rate swap is disclosed.

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

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

3. Status of Investment Corporation Bonds

Not applicable.

4. Status of Short-term Investment Corporation Bonds

Not applicable.

5. Status of New Investment Unit Acquisition Rights

Not applicable

Status of Acquisition and Sale during the Period

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

| Property number | Type of assets | Property name | Acquisition | | Disposition | | | |
|-----------------|-----------------------------|---|---------------------|-----------------------------------|---------------------|-----------------------------------|--------------------------|-----------------------------------|
| | | | Date of acquisition | Acquisition price (million yen) * | Date of disposition | Disposition price (million yen) * | Book value (million yen) | Gain (loss) on sale (million yen) |
| 13103 | Trust beneficiary interests | fab Minamiosawa | June 28, 2024 | 3,600 | — | — | — | — |
| 16103 | | tonarie Yamatotakada (50% quasi coownership) (additional acquisition) | | 4,058 | — | — | — | — |
| 39101 | | Hasekura Medical Building | | 1,400 | — | — | — | — |
| 15101 | | Yoshizuya Y Store Nishiharu | — | — | June 27, 2024 | 4,000 | 4,510 | (535) |
| 16204 | | TSUTAYA Sakai-minami (leasehold land) | — | — | | 974 | 955 | 13 |
| 16205 | | LIFE Daisen (leasehold land) | — | — | | 3,325 | 2,758 | 550 |
| | Total | | | 9,058 | — | 8,300 | 8,224 | 28 |

* "Acquisition price" and "Disposition price" are the amounts that do not include the various expenses required in the acquisition or disposition of the property (such as brokerage fees, taxes and public dues), that is, the transaction price of the real estate stated in the trust beneficiary interests sale and purchase agreement. The amount is rounded down to the nearest million yen. The same applies hereinafter.

2. Transactions Other Assets

Not applicable.

3. Review on Value of Specified Assets Properties

(1) Real estate

| Acquisition or Disposition | Property number | Property name | Date of transaction | Type of assets | Acquisition price or Disposition price (million yen) | Appraisal value (million yen) ^{*1} | Appraisal agency | Date of value appraisal |
|----------------------------|-----------------|---|---------------------|-----------------------------|--|---|---------------------------------------|-------------------------|
| Acquisition | 13101 | Asumigaoka Brand-New Mall (separate building) ^{*2} | April 30, 2024 | Trust beneficiary interests | — | 6 | The Tanizawa Sogo Appraisal Co., Ltd. | April 1, 2024 |
| | 13103 | fab Minamiosawa | June 28, 2024 | | 3,600 | 4,310 | Daiwa Real Estate Appraisal Co., Ltd. | March 31, 2024 |
| | 16103 | tonarie Yamatotakada (50% quasi coownership) (additional | | | 4,058 | 4,065 | JLL Morii Valuation & Advisory KK | February 29, 2024 |

| | | | | | | | | |
|-------------|-------|---------------------------------------|---------------|--|-------|-------|---------------------------------------|------------------|
| | | acquisition) | | | | | | |
| | 39101 | Hasekura Medical Building | | | 1,400 | 1,480 | Japan Real Estate Institute | April 1, 2024 |
| Disposition | 15101 | Yoshizuya Y Store Nishiharu | June 27, 2024 | | 4,000 | 2,260 | Daiwa Real Estate Appraisal Co., Ltd. | January 31, 2024 |
| | 16204 | TSUTAYA Sakai-minami (leasehold land) | | | 974 | 1,040 | JLL Morii Valuation & Advisory KK | January 31, 2024 |
| | 16205 | LIFE Daisen (leasehold land) | | | 3,325 | 3,070 | Daiwa Real Estate Appraisal Co., Ltd. | January 31, 2024 |

*1 Appraisal value described above is based on "Real estate appraisal standards, Chapter 3, Appraisal of the value of real estate that is subject to securitization".

*2 This asset is a separate building of Asumigaoka Brand New Mall (portion acquired free of charge from Akindo Sushiro Co.)

(2) Other

Not applicable.

4. Transactions with interested parties

(1) Sales transactions with interested parties

| Classification | Transaction amount *2 | |
|---|---|-----------------------------------|
| | Purchase amount (thousand yen)/ratio *3 | Sales amount (thousand yen)/ratio |
| Total | 9,058,000 | 8,300,000 |
| Breakdown of Transactions with Interested Parties | | |
| Chuden Real Estate Co., Inc. | 4,058,000(44.8%) | — (— %) |
| ES-CON JAPAN Ltd. | — (— %) | 8,300,000(100.0%) |
| Total | 4,058,000(44.8%) | 8,300,000(100.0%) |

(2) Fees and expenses

| Classification | Total amount of fees (A) (Thousand yen) | Breakdown of transactions with interested parties | | Percentage of total amount paid (B/A) (%) |
|-------------------------|--|---|-----------------------------------|--|
| | | Payment recipient | Amount paid (B) (Thousand yen) | |
| Electricity charges | 225,395 | Chubu Electric Power Miraiz Co., Inc. | 134,649 | 59.7 |
| | | CD Energy Direct Co., Ltd. | 59,111 | 26.2 |
| Administrative expenses | 221,747 | ES-CON PROPERTY Ltd. *4 | 156,308 | 70.5 |

*1 The term "Interested Parties" refers to parties that have entered into an asset management agreement with ESCON REIT as defined in Article 123 of the Enforcement Order for the Act on Investment Trusts and Investment Corporations and Article 26, Paragraph 1, Item 27 of the Regulations Concerning Management Reports for Investment Trusts and Investment Corporations of the Investment Trusts Association, Japan.

*2 "Transaction amount" represents the total proceeds from the sale of each real estate trust beneficiary right as described in each trust beneficiary interests sales and purchase agreement in connection with the owned assets (and excludes consumption taxes, local consumption taxes, sales commissions and other related expenses), and rounded down to the nearest stated amount.

*3 The information represents the ratios to the total purchase amount, rounded to the first decimal place.

*4 In addition to the amount described above, 1,558 thousand yen of construction management fee and other related costs were recorded as assets.

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

Although the Asset Manager has operations to perform transactions classified as Building Lots and Buildings Transaction Business

as of July 31, 2024, the Asset Manager was not involved in any applicable transactions. In addition, the Asset Manager had no transactions classified as Type I Financial Instruments Business, Type II Financial Instruments Business and Specified Joint Real Estate Ventures.

Accounting Status

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

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

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

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

2. Changes in Method to Calculate Depreciation Expenses

Not applicable.

3. Changes in Method to Evaluate Properties and Infrastructure Assets Expenses

Not applicable.

4. Status of Beneficiary Certificates of Investment Trust Established by ESCON REIT

Not applicable.

Others

1. Notices

(1) General Meeting of Unitholders

Not applicable.

(2) Board of Directors of Investment Corporation

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

| Date of approval | Item | Description |
|------------------|---|---|
| May 31, 2024 | Conclusion of Administrative Agreement for Offering of New Investment Units | Mizuho Securities Co., Ltd. and ESCON REIT and the Asset Manager, was engaged for the administrative responsibilities in the offering of the issued investment units. |

(3) Other information deemed to be important

Not applicable.

2. Other

In this document, unless otherwise stated, figures are truncated to the nearest whole unit and percentages are rounded off.

3. Disclosures Regarding Overseas Real Estate Holding Companies

Not applicable.

4. Disclosures Regarding Real Estate Held by Overseas Real Estate Holding Companies

Not applicable.

II Balance Sheets

(Unit: thousand yen)

| | Previous fiscal period (reference) As of January 31, 2024 | Current fiscal period As of July 31, 2024 |
|---|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 2,308,510 | 2,412,756 |
| Cash and deposits in trust | 3,461,980 | 3,466,739 |
| Operating accounts receivable | 55,548 | 105,304 |
| Prepaid expenses | 88,744 | 85,872 |
| Consumption taxes refund receivable | — | 170,625 |
| Other | — | 26,139 |
| Total current assets | 5,914,784 | 6,267,438 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 7,063 | — |
| Accumulated depreciation | (1,375) | — |
| Buildings, net | 5,688 | — |
| Buildings in trust | 12,812,723 | 14,154,848 |
| Accumulated depreciation | (1,412,184) | (1,282,888) |
| Buildings in trust, net | 11,400,538 | 12,871,959 |
| Structures in trust | 146,945 | 140,530 |
| Accumulated depreciation | (38,672) | (38,869) |
| Structures in trust, net | 108,273 | 101,660 |
| Tools, furniture and fixtures in trust | 64,912 | 62,226 |
| Accumulated depreciation | (22,527) | (26,618) |
| Tools, furniture and fixtures in trust, net | 42,385 | 35,608 |
| Land in trust | 57,914,000 | 57,385,910 |
| Construction in progress in trust | — | 5,000 |
| Total property, plant and equipment | 69,470,886 | 70,400,138 |
| Intangible assets | | |
| Trademarks | 448 | 394 |
| Other | 165 | — |
| Total intangible assets | 614 | 394 |
| Investments and other assets | | |
| Leasehold and guarantee deposits | 10,000 | 10,000 |
| Long-term prepaid expenses | 134,650 | 92,057 |
| Deferred tax assets | 3 | 18 |
| Total investments and other assets | 144,653 | 102,075 |
| Total noncurrent assets | 69,616,154 | 70,502,609 |
| Total assets | 75,530,938 | 76,770,047 |

(Unit: thousand yen)

| | Previous fiscal period (reference) As of January 31, 2024 | Current fiscal period As of July 31, 2024 |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Operating accounts payable | 101,431 | 146,747 |
| Current portion of long-term borrowings | 2,386,000 | 5,964,700 |
| Accounts payable - other | 73,564 | 37,760 |
| Accrued expenses | 165,140 | 164,784 |
| Income taxes payable | 676 | 990 |
| Accrued consumption taxes | 27,080 | — |
| Advances received | 331,039 | 343,186 |
| Deposits received | 599 | 35,154 |
| Total current liabilities | 3,085,533 | 6,693,322 |
| Non-current liabilities | | |
| Long-term borrowings | 30,705,000 | 27,126,300 |
| Tenant lease and guarantee deposits in the trusts | 2,497,129 | 2,607,150 |
| Total non-current liabilities | 33,202,129 | 29,733,450 |
| Total liabilities | 36,287,662 | 36,426,772 |
| Net assets | | |
| Unitholders' equity | | |
| Unitholders' capital | 38,107,208 | 39,173,828 |
| Surplus | | |
| Unappropriated retained earnings (undisposed loss) | 1,136,067 | 1,169,446 |
| Total surplus | 1,136,067 | 1,169,446 |
| Total unitholders' equity | 39,243,276 | 40,343,275 |
| Total net assets | *1 39,243,276 | 40,343,275 |
| Total liabilities and net assets | 75,530,938 | 76,770,047 |

III Statements of Income and Retained Earnings

(Unit: thousand yen)

| | | Previous fiscal period (reference) From August 1, 2023 To January 31, 2024 | Current fiscal period From February 1, 2024 To July 31, 2024 |
|--|----|--|--|
| Operating revenue | | | |
| Leasing business revenue | *1 | 2,189,210 | 2,209,054 |
| Other leasing business revenue | *1 | 255,375 | 276,621 |
| Gain on sale of real estate properties | *2 | — | 563,532 |
| Total operating revenue | | 2,444,586 | 3,049,207 |
| Operating expenses | | | |
| Expenses related to leasing business | *1 | 947,809 | 972,252 |
| Loss on sale of real estate properties | *3 | — | 535,410 |
| Asset management fees | | 139,141 | 137,799 |
| Asset custodian fees | | 3,648 | 3,658 |
| Administrative service fees | | 12,209 | 12,573 |
| Remuneration for director (and other officers) | | 4,500 | 5,400 |
| Taxes and public dues | | 10,592 | 20,539 |
| Other operating expenses | | 51,776 | 48,879 |
| Total operating expenses | | 1,169,677 | 1,736,513 |
| Operating income | | 1,274,908 | 1,312,693 |
| Non-operating income | | | |
| Interest income | | 27 | 26 |
| Gain on forfeiture of unclaimed dividends | | 729 | 522 |
| Total non-operating income | | 756 | 548 |
| Non-operating expenses | | | |
| Interest expenses | | 81,326 | 101,609 |
| Financing fees | | 57,795 | 36,170 |
| Investment unit issuance expenses | | - | 5,306 |
| Total non-operating expenses | | 139,122 | 143,086 |
| Ordinary income | | 1,136,542 | 1,170,155 |
| Income before income taxes | | 1,136,542 | 1,170,155 |
| Income taxes - current | | 680 | 994 |
| Income taxes - deferred | | (1) | (15) |
| Total income taxes | | 679 | 979 |
| Net income | | 1,135,862 | 1,169,176 |
| Retained earnings brought forward | | 205 | 270 |
| Unappropriated retained earnings (undisposed loss) | | 1,136,067 | 1,169,446 |

IV Statements of Unitholders' Equity

Previous fiscal period (reference) (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 undisposed 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 |

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

(Unit: thousand yen)

| | Unitholders' equity | | | | Total net assets |
|--|----------------------|---|---------------|---------------------------|------------------|
| | Unitholders' capital | Surplus | | Total unitholders' equity | |
| | | Unappropriated retained earnings (or undisposed loss) | Total surplus | | |
| Balance at the beginning of the period | 38,107,208 | 1,136,067 | 1,136,067 | 39,243,276 | 39,243,276 |
| Changes of items during the period | | | | | |
| Issuance of new investment units | 1,066,620 | - | - | 1,066,620 | 1,066,620 |
| Dividends from surplus | - | (1,135,797) | (1,135,797) | (1,135,797) | (1,135,797) |
| Net income | - | 1,169,176 | 1,169,176 | 1,169,176 | 1,169,176 |
| Total changes of items during the period | 1,066,620 | 33,379 | 33,379 | 1,099,999 | 1,099,999 |
| Balance at the end of the period | *1 39,173,828 | 1,169,446 | 1,169,446 | 40,343,275 | 40,343,275 |

V Statements of Cash Dividend Distributions

(Unit: yen)

| | Previous fiscal period (reference)From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|--|--|--|
| I . Unappropriated retained earnings | 1,136,067,579 | 1,169,446,652 |
| II . Distributions (Distributions per unit) | 1,135,797,509 (3,227) | 1,169,282,414 (3,242) |
| III . Retained earnings carried forward | 270,070 | 164,238 |
| 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, ESON 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, ESON 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, ESON REIT has decided to distribute 1,169,282,414 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act.</p> <p>Furthermore, ESON REIT will not distribute cash in excess of earnings as provided in Article 36, Paragraph 2 of the Articles of Incorporation.</p> |

VI Statements of Cash Flows

(Unit: thousand yen)

| | Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|--|--|
| Cash Flows from Operating Activities | | |
| Income before income taxes | 1,136,542 | 1,170,155 |
| Depreciation | 188,398 | 201,410 |
| Investment unit issuance expenses | - | 5,306 |
| Interest income | (27) | (26) |
| Interest expenses | 81,326 | 101,609 |
| Decrease (increase) in operating accounts receivable | 44,701 | (49,756) |
| Decrease (increase) in consumption taxes refund receivable | - | (170,625) |
| Decrease (increase) in prepaid expenses | (6,144) | 2,872 |
| Decrease (increase) in long-term prepaid expenses | 8,409 | 42,592 |
| Increase (decrease) in operating accounts payable | (97,986) | 45,316 |
| Increase (decrease) in accounts payable - other | 60,310 | (36,404) |
| Increase (decrease) in accrued expenses | 1,935 | (592) |
| Increase (decrease) in accrued consumption taxes | (4,262) | (27,080) |
| Increase (decrease) in advances received | (3,023) | 12,146 |
| Decrease in property, plant and equipment in trust due to sale | - | 8,224,272 |
| Others, net | (1,992) | 8,415 |
| Subtotal | 1,408,186 | 9,529,610 |
| Interest received | 27 | 26 |
| Interest paid | (81,234) | (101,372) |
| Income taxes paid | (659) | (680) |
| Net cash provided by operating activities | 1,326,319 | 9,427,583 |
| Cash Flows from Investing Activities | | |
| Purchase of property, plant and equipment in trust | (73,131) | (9,354,715) |
| Proceeds from tenant lease and guarantee deposits in the trusts | 4,672 | 400,363 |
| Refund of tenant lease and guarantee deposits in the trusts | (17,929) | (290,342) |
| Net cash used in investing activities | (86,388) | (9,244,695) |
| Cash Flows from Financing Activities | | |
| Proceeds from long-term borrowings | 4,610,000 | - |
| Repayments of long-term borrowings | (4,610,000) | - |
| Proceeds from issuance of investment units | - | 1,061,313 |
| Distributions paid | (1,142,112) | (1,135,197) |
| Net cash provided by (used in) financing activities | (1,142,112) | (73,884) |
| Net increase (decrease) in cash and cash equivalents | 97,818 | 109,004 |
| Cash and cash equivalents at the beginning of period | 5,672,672 | 5,770,490 |
| Cash and cash equivalents at the end of period | 5,770,490 | 5,879,495 |

*1

VII Notes

[Basis of presenting financial statements]

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

The accompanying financial statements are the translation of the financial statements presented in the securities report of ESCON REIT submitted to the Kanto local Finance Bureau, which have been prepared in compliance with Japanese GAAP, translated into English. Amounts less than one thousand yen have been omitted. As a result, the totals presented in the accompanying financial statements in yen do not necessarily agree with the sums of the individual amounts. ESCON REIT does not have subsidiaries and thus does not prepare consolidated financial statements.

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

[Notes on going concern assumption]

Not applicable.

[Notes on matters concerning significant accounting policies]

| | |
|--|--|
| 1. Method of depreciation and amortization of non-current assets | <p>(1) Property, plant and equipment (including assets in trust)</p> <p>The straight-line method is used. The useful lives of property, plant and equipment are as follows.</p> <ul style="list-style-type: none"> • Buildings 2 to 64 years • Structures 9 to 63 years • Tools, furniture and fixtures 2 to 10 years <p>(2) Intangible assets</p> <p>The straight-line method is used.</p> <p>(3) Long-term prepaid expenses</p> <p>The straight-line method is used.</p> |
| 2. Accounting for deferred assets | <p>Investment unit issuance expenses</p> <p>Fully expensed as incurred.</p> |
| 3. Accounting standards for revenues and expenses | <p>(1) Standards for revenue recognition</p> <p>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</p> <p>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</p> <p>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</p> <p>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.</p> <p>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. The amount equivalent to property taxes and other expenses included in the acquisition cost of real estate and other assets in the current fiscal period was 24,045 thousand yen.</p> |
| 4. Hedge Accounting Methods | <p>(1) Hedge Accounting Methods</p> <p>Special accounting treatment has been adopted because it meets the requirements for special treatment for interest rate swaps.</p> |

| | |
|--|---|
| | <p>(2) Hedge Instruments and Hedge Items Hedge instrument: interest rate swaps Hedge item: interest on borrowings</p> <p>(3) Hedge Policy ESCON REIT conducts derivative transactions for the purpose of hedging risks as defined in the ESCON REIT Agreement based on the Derivative Management Regulations.</p> <p>(4) Method for Evaluating Hedge Efficacy The evaluation of effectiveness is omitted because the interest rate swap meets the requirements for special treatment.</p> |
| 5. Scope of funds in the statements of cash flows | Funds (cash and cash equivalents) in the statements of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months. |
| 6. Other Items Forming the Basis for the Preparation of Financial Statements | <p>(1) Accounting for trust beneficial interests in real estate as trust asset For trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheets and Statement of Income and Retained Earnings. Included in the trust assets accounted for under the respective account items, the following items of significance are separately classified on the balance sheets.</p> <ul style="list-style-type: none"> i. Cash in trust and deposits in trust ii. Buildings in trust and structures in trust 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 Non-deductible consumption taxes on non-current assets are included in the acquisition cost of individual assets.</p> |

[Note to Balance Sheets]

(Unit: thousand yen)

| | Previous fiscal period As of January 31, 2024 | Current fiscal period As of July 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 |

(Unit: thousand yen)

| | Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|--|--|
| *1. Detail of income from real estate leasing operations | | |
| A. Real estate leasing business revenue | | |
| Leasing business revenue | | |
| Lease revenue | 1,059,025 | 1,078,846 |
| Land lease revenue received | 824,893 | 805,263 |
| Common service fees | 121,647 | 128,464 |
| Other lease revenues | 183,643 | 196,479 |
| Total | 2,189,210 | 2,209,054 |
| Other leasing business revenues | | |
| Utilities charges received | 246,246 | 257,136 |
| Other revenues | 9,129 | 19,484 |
| Total | 255,375 | 276,621 |
| Total real estate leasing business revenue | 2,444,586 | 2,485,675 |
| B. Real estate leasing business expenses | | |
| Expenses related to leasing business | | |
| Administrative expenses | 213,958 | 221,747 |
| Trust fees | 9,177 | 9,167 |
| Utilities charges | 250,703 | 261,186 |
| Non-life insurance premiums | 11,037 | 13,307 |
| Repair expenses | 48,735 | 44,375 |
| Taxes and public dues | 217,363 | 209,851 |
| Depreciation | 187,527 | 201,191 |
| Other leasing business expenses | 9,306 | 11,425 |
| Total expenses related to leasing business | 947,809 | 972,252 |
| C. Income from real estate leasing business (A - B) | 1,496,776 | 1,513,422 |
| *2 Detail of gain on sales of real estate properties | | |
| TSUTAYA Sakai-minami (Leasehold land) | | |
| Proceeds from sales of real estate property | — | 974,780 |
| Cost of real estate property sold | — | 955,939 |
| Other sales expenses | — | 5,332 |
| Gain on sales of real estate property | — | 13,507 |
| LIFE Daisen (Leasehold land) | | |
| Proceeds from sales of real estate property | — | 3,325,220 |
| Cost of real estate property sold | — | 2,758,189 |
| Other sales expenses | — | 17,006 |
| Gain on sales of real estate property | — | 550,024 |
| *3 Detail of loss on sales of real estate property | | |
| Yoshizuya Y Store Nishiharu | | |
| Proceeds from sales of real estate property | — | 4,000,000 |
| Cost of real estate property sold | — | 4,510,143 |
| Other sales expenses | — | 25,266 |
| Loss on sales of real estate property | — | 535,410 |

[Notes to Statements of Unitholders' Equity]

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

| | Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 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 | 360,667 units |

[Notes to Statements of Cash Flows]

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

(Unit: thousand yen)

| | Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|----------------------------|--|--|
| Cash and deposits | 2,308,510 | 2,412,756 |
| Cash and deposits in trust | 3,461,980 | 3,466,739 |
| Cash and cash equivalents | 5,770,490 | 5,879,495 |

[Notes to Lease Transactions]

Operating lease transactions (Lessor)

Future minimum lease revenues under existing non-cancelable lease agreements

(Unit: thousand yen)

| | Previous fiscal period As of January 31, 2024 | Current fiscal period As of July 31, 2024 |
|---------------|--|--|
| Within a year | 2,212,256 | 2,762,803 |
| Over a year | 7,971,717 | 21,057,961 |
| Total | 10,183,974 | 23,820,765 |

[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 "Notes on Matters Concerning Significant Accounting

Policies 4. Hedge Accounting Methods” above.

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

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

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

Balance sheet amounts, fair value and their differences as of July 31, 2024 are as follows: Notes to “Cash and deposits” and “Cash and deposits in trust” are not disclosed since the fair value of these instruments approximates book value due to short term nature of these instruments. Fair value for “tenant lease and guarantee deposits in 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 | 5,964,700 | 5,964,700 | - |
| (2) Long-term borrowings | 27,126,300 | 27,156,060 | 29,760 |
| Total liabilities | 33,091,000 | 33,120,760 | 29,760 |
| (3) Derivative transactions | - | - | - |

*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 (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 | — |

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

(Unit: thousand yen)

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

[Notes to Securities]

| Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|---|
| Not applicable. | Not applicable. |

[Notes to Derivative transactions]

1. Transactions for which hedge accounting has not been applied

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

2. Transactions for which hedge accounting has been applied.

The previous 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.

The current fiscal period (July 31, 2024)

(Unit: thousand yen)

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

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

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

[Notes to Retirement benefits]

| Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|---|
| Not applicable. | Not applicable. |

[Notes to Deferred Income Taxes]

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

(Unit: thousand yen)

| | Previous fiscal period As of January 31, 2024 | Current fiscal period As of July 31, 2024 |
|---|--|--|
| (Deferred tax assets) | | |
| Unpaid business tax not included in deductible expenses | 3 | 18 |
| Total deferred tax assets | 3 | 18 |
| (Net deferred tax assets) | 3 | 18 |

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

(Unit: %)

| | Previous fiscal period As of January 31, 2024 | Current fiscal period As of July 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 | 0.06 |
| Effective tax rate | 0.06 | 0.08 |

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

| Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|---|
| Not applicable. | Not applicable. |

[Notes to Transactions with Related Parties]

1. Parent company and major institutional investors

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

Not applicable.

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

Not applicable.

2. Affiliated companies

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

Not applicable.

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

Not applicable.

3. Sibling companies

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

Not applicable.

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

Not applicable.

4. Directors and major individual unitholders

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

Not applicable.

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

Not applicable.

[Notes to Asset Retirement Obligations]

| Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|---|
| Not applicable. | Not applicable. |

[Notes to Real Estate for Lease]

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

(Unit: thousand yen)

| | | Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---------------------------------------|--|--|--|
| Carrying value*1 | Balance at the beginning of the period | 69,585,282 | 69,470,886 |
| | Changes during the period*2 | (114,396) | 929,252 |
| | Balance at the end of the period | 69,470,886 | 70,400,138 |
| Fair Value at the end of the period*3 | | 72,780,200 | 78,250,500 |

*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 some properties, including tonarie Minami-senri etc. (73,131 thousand yen in total), while the decrease is mainly due to depreciation (187,527 thousand yen). The increase in the current fiscal period is mainly due to the acquisition of four properties (total 9,288,578 thousand yen), including tonarie Yamatotakada (50% quasi co-ownership), while the decrease is mainly due to the disposition of three properties (total 8,224,272 thousand yen), including Yoshizuya Y Store Nishiharu, and depreciation (201,191 thousand yen).

*3. The fair value at the end of the period was determined by an outside real estate appraisers.

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

[Notes to Revenue Recognition]

1. Breakdown of revenue from contracts with customers

Previous fiscal period (From 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 Accounting Standards Board of Japan (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.

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

(Unit: thousand yen)

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

*1. Leasing business income subject to ASBJ Statement No. 13 “Accounting Standard for Lease Transactions” is not included in “Revenue from contracts with customers”, because the accounting standard for revenue recognition does not apply to such income. 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.
- *3. For the sales of real estate, and other assets, in accordance with Article 48, Paragraph 2 of the Regulation on Accountings of Investment Corporations (Cabinet Office Order No. 47 of 2006), gain or loss on sales of real estate properties shall be recorded in the Statements of Income and Retained Earnings, is represented as the amount of revenues from the sales of real estate properties less the cost of real estate properties sold and other sales expenses related to the sales of real estate properties. ESCON REIT records gain on sales of real estate properties as operating revenues and loss on sales of real estate properties as operating expenses, and the table above only describes the amount of gain on sales of real estate properties.

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

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

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

Current fiscal period (From February 1, 2024 to July 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 August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---|--|--|
| Receivables from contracts with a customer (at the beginning of the period) | 44,602 | 43,596 |
| Receivables from contracts with a customer (at the end of the period) | 43,596 | 63,561 |
| Contract assets (balance at the beginning of period) | - | - |
| Contract assets (balance at the end of period) | - | - |
| Contract liabilities (balance at the beginning of period) | - | - |
| Contract liabilities (balance at the end of period) | - | - |

(2) Transaction prices allocated to remaining performance obligations

Not applicable.

For utility charges income, the Company recognizes revenues 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.

[Note to Segment Information]

(Segment information)

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

(Relevant information)

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

1. Information by product and service

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

2. Information by Region

(1) Net sales

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

(2) Property, plant, and equipment

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

3. Information by major customer

(Unit: Thousand yen)

| Customer Name | Operating revenue | Related Segment Name |
|--------------------|-------------------|------------------------------|
| ES-CON JAPAN Ltd.* | 1,457,316 | Real estate leasing business |

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

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

1. Information by product and service

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

2. Information by Region

(1) Net sales

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

(2) Property, plant, and equipment

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

3. Information by major customer

(Unit: thousand yen)

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

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

[Notes to Per Unit Information]

| | Previous fiscal period From August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|---------------------|--|--|
| Net assets per unit | 111,497 yen | 111,857 yen |
| Net income per unit | 3,227 yen | 3,299 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 August 1, 2023 to January 31, 2024 | Current fiscal period From February 1, 2024 to July 31, 2024 |
|--|--|--|
| Net income (thousand yen) | 1,135,862 | 1,169,176 |
| Amount not attributable to common unitholders (thousand yen) | - | - |
| Net income for common investment units (thousand yen) | 1,135,862 | 1,169,186 |
| Average number of investment units during the period (Units) | 351,967 | 354,404 |

[Notes to Significant Subsequent Events]

Not applicable.

Independent Auditor's Report

To the Board of Directors
ESCON JAPAN REIT Investment Corporation

<Audit of Financial Statements>

Opinion

We have audited the accompanying financial statements of ESCON JAPAN REIT Investment Corporation (the Company), which comprise of the balance sheet as of July 31, 2024, and the statements of income and retained earnings, unitholders' equity, cash dividend distributions, and cash flows for the six-month period then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2024, and its financial performance and cash flows for the six-month period then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

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

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

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

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

We have no findings to report on the other information.

Responsibilities of Management and Supervisory Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are

free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing matters related to going concern, as required by accounting principles generally accepted in Japan.

The Supervisory Directors are responsible for overseeing the Executive Director's performance regarding the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

<Fee-related Information>

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

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

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

BDO Sanyu & Co.
Osaka, Japan

October 30, 2024

西川 賢治

Kenji Nishikawa
Designated Engagement Partner
Certified Public Accountant

古嶋 雅弘

Masahiro Furushima
Designated Engagement Partner
Certified Public Accountant