

# Financial Report for the Fiscal Period Ended July 31, 2021 (REIT)

September 15, 2021

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

Stock Exchange Listing: TSE  
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Scheduled date of commencement of distribution payments: October 25, 2021

Supplementary materials: Yes

IR Conference: Yes(For institutional investors and analysts)

[Amounts are rounded down to the nearest million yen]

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

### (1) Management

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

|          | Operating revenue |       | Operating income |       | Ordinary income |       | Net income  |       |
|----------|-------------------|-------|------------------|-------|-----------------|-------|-------------|-------|
|          | million yen       | %     | million yen      | %     | million yen     | %     | million yen | %     |
| FP2021/7 | 1,910             | (0.6) | 1,094            | (1.5) | 1,001           | (1.7) | 1,001       | (1.7) |
| FP2021/1 | 1,922             | 1.1   | 1,111            | 0.1   | 1,019           | 5.0   | 1,018       | 5.0   |

|          | Net income per unit* | Ratio of net income to unitholders' equity | Ratio of ordinary income to total assets | Ratio of ordinary income to operating revenue |
|----------|----------------------|--|--|---|
|          | yen                  | %  | %  | %   |
| FP2021/7 | 3,537                | 3.4  | 1.8                                      | 52.4  |
| FP2021/1 | 3,599                | 3.5  | 1.8                                      | 53.0  |

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

### (2) Distributions

|          | Distribution per unit (excluding distribution in excess of earnings) | Total distributions (excluding distribution in excess of earnings) | Distribution in excess of earnings per unit | Total distributions in excess of earnings | Payout ratio | Ratio of distributions to net assets |
|----------|--|--|---|---|--------------|--------------------------------------|
|          | yen  | million yen  | yen   | million yen                               | %            | %                                    |
| FP2021/7 | 3,538  | 1,001  | 0   | 0   | 100.0        | 3.4                                  |
| FP2021/1 | 3,599  | 1,018  | 0   | 0   | 100.0        | 3.5                                  |

### (3) Financial Position

|          | Total assets | Net assets  | Ratio of unitholders' equity to total assets | Net assets per unit |
|----------|--------------|-------------|--|---------------------|
|          | million yen  | million yen | %  | yen                 |
| FP2021/7 | 56,061       | 29,440      | 52.5   | 104,037             |
| FP2021/1 | 56,132       | 29,458      | 52.5   | 104,099             |

### (4) Cash Flows

|          | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|----------|--------------------------------------|--------------------------------------|--------------------------------------|--|
|          | million yen                          | million yen                          | million yen                          | million yen                                |
| FP2021/7 | 1,082                                | (43)                                 | (1,017)                              | 3,785                                      |
| FP2021/1 | 1,203                                | (34)                                 | (969)                                | 3,764                                      |

**2. Management Status Forecasts for the Fiscal Period Ending January 31, 2022 (from August 1, 2021 to January 31, 2022), and the Fiscal Period Ending July 31, 2022 (from February 1, 2021 to July 31, 2022).**

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

|          | Operating revenue |       | Operating income |       | Ordinary income |      | Net income  |      | Distribution per unit<br>(excluding distribution in excess of earnings) | Distribution in excess of earnings per unit |
|----------|-------------------|-------|------------------|-------|-----------------|------|-------------|------|---|---|
|          | million yen       | %     | million yen      | %     | million yen     | %    | million yen | %    | yen   | yen   |
| FP2022/1 | 2,469             | 29.2  | 1,506            | 37.7  | 1,255           | 25.3 | 1,254       | 25.3 | 3,565   | 0   |
| FP2022/7 | 2,466             | (0.1) | 1,379            | (8.5) | 1,257           | 0.2  | 1,256       | 0.2  | 3,570   | 0   |

(Reference) Estimated net income per unit:

Estimated net income ÷ Estimated the number of investment units at end of period  
 FP2022/1: 3,564 yen                      FP2022/7: 3,570 yen

**\* Others**

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

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

(2) Total Number of Investment Units Issued and Outstanding

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

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

|           |               |           |               |
|-----------|---------------|-----------|---------------|
| FP2021/7: | 282,982 units | FP2021/1: | 282,982 units |
| FP2021/7: | 0 units       | FP2021/1: | 0 units       |

\*For the number of investment units serving as the basis of calculation for net income per unit, refer to Notes to Per Unit Information on page 21.

(3) Rounding processing

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

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

**\* Special Note**

(Caution Concerning Forward-Looking Statements, Etc.)

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

For details on assumptions for the forecast figures above, refer to "Underlying Assumptions of the Operating Forecasts for the Fiscal Period ending January 31, 2022 (from August 1, 2021 to January 31, 2022), and the Fiscal Period ending July 31, 2022 (February 1, 2022 to July 31, 2022) on page 8.

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## 1. Operations

### (1) Operations

#### i. Overview of the Fiscal Period ended July 31, 2021

##### A. Brief background of the REIT

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

ESCON REIT will continue to pursue long-term stability and earnings growth by building a portfolio focused on investments in commercial facilities <sup>\*1</sup> deeply rooted in local communities in four major metropolitan areas <sup>\*2</sup> where concentration of the population is expected to continue, as well as in their leasehold land <sup>\*3</sup>. ESCON REIT now owns 28 properties with a total acquisition price of 51,980 million yen as of the end of the fiscal period under review.

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

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

##### Notes:

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

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

<sup>\*3</sup> Leasehold land refers to land leased by a third party on which a building is owned by the said third party. The same applies hereafter.

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

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

<sup>\*6</sup> As used in this document, a general developer means a developer conducting a wide variety of real estate development projects such as condominiums, detached residential houses, commercial facilities, hotels and logistical facilities, or a development with a stance of dealing comprehensively with all kinds of development as a business.

##### B. Operating environment and Management performance

During the fiscal period under review, Japanese economy showed positive growth for the first time in two quarters, with a real GDP growth rate (first preliminary estimate) of 0.3% (1.3% annualized) for the April-June period of 2021, mainly due to a pickup in capital investment which had previously been held back by companies. However, the situation remains severe, with a fourth state of emergency declared in July 2021 due to an increase in COVID-19 infections.

In the J-REIT market during the fiscal period under review, the Tokyo Stock Exchange REIT Index continued its upward trend against the backdrop of expectations for a recovery toward economic normalization, a sense of undervaluation compared to the stock market, and observations of an improvement in supply and demand due to the inclusion of J-REITs in the FTSE Global Index. By the end of the current fiscal period, the TSE REIT Index had recovered to the mid-2,100 point range, the same level as before the coronavirus pandemic. In commercial facilities, the situation for tenants in the apparel, restaurant, and service industries remains severe. On the other hand, tenants that handle daily necessities such as supermarkets, drug stores and DIY stores are performing relatively well.

In this environment, ESCON REIT worked to secure stable revenue over the medium to long term by taking appropriate measures to manage assets and boost revenues, such as inviting tenants to vacant spaces and replacing tenants upon the expiry of

their contracts, while working to ensure the safety of customers and the employees of tenants at commercial facilities.

As a result of the measures above, the occupancy rate of the 28 assets under management as of the end of the fiscal period under review was 99.5%.

Recognizing that ESG initiatives will help increase unitholders' value, ESCON REIT and the Asset Manager continues to promote efforts to reduce environmental impact and revitalize local communities. Following tonarie Yamatotakada and tonarie Toga・Mikita, ESCON REIT received DBJ Green Building Certification (evaluation rank: three stars) for three of its properties (tonarie Minami-senri, tonarie Seiwadai and Asumigaoka Brand-New Mall) from the Development Bank of Japan Inc. during the fiscal period under review, in recognition of their "excellent environmental and social awareness".

#### C. Procurement of funds

The balance of interest-bearing debt as of the end of the fiscal period under review was 24,430 million yen, and the ratio of interest-bearing debt to total assets (hereinafter "LTV") became 43.6%.

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

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

#### D. Performance and distributions

As a result of the management above, ESCON REIT posted operating revenue of 1,910 million yen, operating income of 1,094 million yen, ordinary income of 1,001 million yen and net income of 1,001 million yen for the fiscal period under review.

With regard to distribution, ESCON REIT has decided to distribute the amount of 1,001,190,316 yen, which is roughly equivalent to the full revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act by applying the special measure of taxation for investment corporations (Article 67-15, Paragraph 1 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957, as amended) in accordance with the distribution policy set forth in the Articles of Incorporation of ESCON REIT. As a result, distribution per investment unit amounted to 3,538 yen.

## ii. Outlook for next period

### A. Outlook for the overall management environment

Regarding the outlook for the Japanese economy, due to an increase in COVID-19 infections, it is extremely difficult to forecast future market trends as various factors such as the prolonged state of emergency declaration and the extension of affected areas will have profound effects on the economy. The economy is expected to continue to recover as measures are taken to prevent the spread of COVID-19 and vaccinations are promoted, but we also need to pay close attention to increased downside risk due to the spread of infection and to fluctuations in financial and capital markets.

Regarding the Japanese real estate investment market, the impact of COVID-19 on medium-long term market trends and tenants of commercial facilities must be closely monitored given the serious downturn in the real economy. However, we predict that prices will remain high as inquiries from overseas for Japanese real estate remain strong, and the influx of funds from outside Japan is expected to continue.

Under such circumstances, ESCON REIT held its second public offering in August 2021 and acquired new assets.

As a result, ESCON REIT now owns 38 properties with a total acquisition price of 69,604 million yen as of the date of this document. ESCON REIT will continue to conduct appropriate asset management and stable, sound financial operations to secure solid revenue and steadily increase asset values over the medium to long term.

### B. Internal growth

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

#### a. Maintaining and increasing rent revenue

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

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

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

#### b. Streamlining management expenses

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

### C. External growth

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

### D. Financial policy

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

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

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

With regard to LTV, we will set 50% as the upper limit, in principle, based on our policy of maintaining the conservative level. We will also conduct efficient and appropriate cash management by accurately figuring out the financing needs of our portfolio through constant monitoring.

### iii. Significant subsequent events

#### A. Issuance of new investment units

Based on the approval of the Board of Directors at meetings held on July 9 and July 19, 2021, ESCON REIT issued new investment units as follows, with the payment for the issuance of new investment units through public offering completed on August 2, 2021, and the payment for the issuance of new investment units through third-party allotment completed on August 24, 2021. As a result, as of the date of this document, the total investment amount is 38,107,208,830 yen and the total number of investment units issued and outstanding is 351,967 units.

#### (Issuance of new investment units through public offering)

|   |                      |
|---|----------------------|
| Number of new investment units issued     | 65,700 units         |
| Issue price (offer price)                 | 145,282 yen per unit |
| Total issue price (total offer price)     | 9,545,027,400 yen    |
| Amount paid in (issue amount)             | 140,141 yen per unit |
| Total amount paid in (total issue amount) | 9,207,263,700 yen    |
| Payment date                              | August 2, 2021       |
| Distribution start date                   | August 1, 2021       |

#### (Use of proceeds)

The funds raised through the above public offering were used to partially fund the acquisition of real estate trust beneficiary interests as described in “C. Acquisition of assets” below.

#### (Issuance of new investment units through third-party allotment)

|   |  |
|---|--|
| Number of new investment units issued     | 3,285 units  |
| Amount paid in (issue amount)             | 140,141 yen per unit                               |
| Total amount paid in (total issue amount) | 460,363,185 yen                                    |
| Payment date                              | August 24, 2021                                    |
| Allottee                                  | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| Distribution start date                   | August 1, 2021                                     |

#### (Use of proceeds)

The funds raised through the above third-party allotment will be used in the future to acquire specified assets, or to repay borrowings.

#### B. Borrowings

ESCON REIT borrowed the following funds to partially fund the acquisition of real estate trust beneficiary interests and incidental expenses as described in “C. Acquisition of assets” below.

| and incidental expenses as described in C. Acquisition of assets below. |                                     |                                    |   |                |                |                  |                      |
|---|-------------------------------------|------------------------------------|---|----------------|----------------|------------------|----------------------|
| Type  | Lenders                             | Borrowing amount<br>(thousand yen) | Interest rate   | Drawdown date  | Repayment date | Repayment method | Remarks              |
| Short-term borrowings   | Mizuho Bank, Ltd.                   | 354,000                            | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.20% | August 3, 2021 | July 29, 2022  | Bullet repayment | Secured Unguaranteed |
| Long-term borrowings  | Mizuho Bank, Ltd.                   | 1,092,000                          | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.35% | August 3, 2021 | July 31, 2025  |                  |                      |
|   | The Bank of Yokohama, Ltd.          | 450,000                            |   |                |                |                  |                      |
|   | Sumitomo Mitsui Banking Corporation | 400,000                            |   |                |                |                  |                      |
|   | Sumitomo Mitsui Trust Bank, Ltd.    | 400,000                            |   |                |                |                  |                      |
|   | The Aichi Bank, Ltd.                | 300,000                            |   |                |                |                  |                      |
|   | Resona Bank, Ltd.                   | 250,000                            |   |                |                |                  |                      |

| Type | Lenders                             | Borrowing amount<br>(thousand yen) | Interest rate   | Drawdown date  | Repayment date | Repayment method | Remarks |
|------|-------------------------------------|------------------------------------|---|----------------|----------------|------------------|---------|
|      | The Minato Bank, Ltd.               | 200,000                            |   |                |                |                  |         |
|      | Mizuho Trust & Banking Co., Ltd.    | 200,000                            |   |                |                |                  |         |
|      | Sumitomo Mitsui Banking Corporation | 500,000                            | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.45% | August 3, 2021 | July 31, 2026  |                  |         |
|      | Sumitomo Mitsui Trust Bank, Ltd.    | 400,000                            |   |                |                |                  |         |
|      | MUFG Bank, Ltd.                     | 400,000                            |   |                |                |                  |         |
|      | The Yamaguchi Bank, Ltd.            | 400,000                            |   |                |                |                  |         |
|      | Resona Bank, Ltd.                   | 350,000                            |   |                |                |                  |         |
|      | Mizuho Bank, Ltd.                   | 337,000                            |   |                |                |                  |         |
|      | The Hyakugo Bank, Ltd.              | 300,000                            |   |                |                |                  |         |
|      | The Minato Bank, Ltd.               | 200,000                            |   |                |                |                  |         |
|      | Mizuho Bank, Ltd.                   | 737,000                            | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.50% | August 3, 2021 | July 30, 2027  |                  |         |
|      | The Chukyo Bank, Ltd.               | 500,000                            |   |                |                |                  |         |
|      | AEON Bank, Ltd.                     | 400,000                            |   |                |                |                  |         |
|      | The Yamaguchi Bank, Ltd.            | 400,000                            |   |                |                |                  |         |
|      | The Bank of Yokohama, Ltd.          | 350,000                            |   |                |                |                  |         |
|      | The Minato Bank, Ltd.               | 300,000                            |   |                |                |                  |         |
|      | MUFG Bank, Ltd.                     | 200,000                            |   |                |                |                  |         |
|      | Total borrowings                    |                                    | 9,420,000   |                |                |                  |         |

### C. Acquisition of assets

ESCON REIT acquired the following real estate trust beneficiary interests on August 3, 2021. The acquisition price is the amount (the sale price stated in the trust beneficiary interest purchase and sale agreement) that does not include various expenses (such as intermediary fees or taxes and public dues) required for the acquisition.

| Property name                                   | Location               | Acquisition price<br>(Thousand yen) |
|---|------------------------|-------------------------------------|
| tonarie Toga・Mikita (50% ownership)*            | Sakai-shi, Osaka       | 3,496,000                           |
| TRIAL Omihachiman (leasehold land)              | Omihachiman-shi, Shiga | 1,010,000                           |
| Kusuri No Aoki Ikaruga (leasehold land)         | Ikoma-gun, Nara        | 711,700                             |
| DRUG Yutaka Mukokamiueno (leasehold land)       | Muko-shi, Kyoto        | 460,000                             |
| WELCIA Amagasaki Mukomotomachi (leasehold land) | Amagasaki-shi, Hyogo   | 565,000                             |
| Cocokara Fine Neyagawakoen (leasehold land)     | Neyagawa-shi, Osaka    | 702,000                             |
| ENEOS Ikawadani SS (leasehold land)             | Kobe-shi, Hyogo        | 530,000                             |
| GEO Hikone Takamiya (leasehold land)            | Hikone-shi, Shiga      | 300,000                             |



|  |                            |            |
|--|----------------------------|------------|
| SUROY MALL Nagamine  | Kumamoto-shi, Kumamoto     | 4,600,000  |
| Fuji Grand Natalie   | Hatsukaichi-shi, Hiroshima | 3,950,000  |
| YAMADA DENKI Tecc.Land Sapporo Shiroishi<br>(leasehold land) | Sapporo-shi, Hokkaido      | 1,300,000  |
| Total acquired assets (11 properties)                        |                            | 17,624,700 |

\* ESCON REIT acquired a 50% quasi co-ownership interest in the trust beneficiary rights for tonarie Toga・Mikita on February 4, 2020.

The acquired asset is a 50% quasi co-ownership interest, which is the remaining portion of the trust beneficiary rights for tonarie Toga Mikita that Chuden Real Estate Co. had acquired on the same day, and as a result of this new acquisition, ESCON REIT will own the entire trust beneficiary rights for tonarie Toga・Mikita.

#### iv. Outlook for the management status

ESCON REIT expects the management status for the fiscal periods ending January 31, 2022 and July 31, 2022 as shown below.

For the assumptions about the management status, refer to “Underlying Assumptions of the Operating Forecasts for the Fiscal Period Underlying January 31, 2021 (from August 1, 2021 to January 31, 2022) and the Fiscal Period Underlying July 31, 2022 (from February 1, 2022 to July 31, 2022)” on page 8.

|  | Operating<br>revenues | Operating<br>income  | Ordinary<br>income   | Net income           | DPU<br>(excluding<br>distributions in<br>excess of<br>earnings) | Distributions<br>in excess of<br>earnings per<br>unit | DPU<br>(including<br>distributions<br>in excess of<br>earnings) |
|--|-----------------------|----------------------|----------------------|----------------------|---|---|---|
| 10 <sup>th</sup> fiscal<br>period<br>ending<br>January 31,<br>2022 | 2,469<br>million yen  | 1,506<br>million yen | 1,255<br>million yen | 1,254<br>million yen | 3,565<br>yen  | -   | 3,565<br>yen  |
| 11 <sup>th</sup> fiscal<br>period<br>ending July<br>31, 2022       | 2,466<br>million yen  | 1,379<br>million yen | 1,257<br>million yen | 1,256<br>million yen | 3,570<br>yen  | -   | 3,570<br>yen  |

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

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

| Item                    | Assumptions   |
|-------------------------|---|
| Calculation period      | <ul style="list-style-type: none"> <li>◆ 10<sup>th</sup> fiscal period: August 1, 2021 to January 31, 2022 (184 days)</li> <li>◆ 11<sup>th</sup> fiscal period: February 1, 2022 to July 31, 2022 (181 days)</li> </ul>   |
| Assets under management | <ul style="list-style-type: none"> <li>◆ For the forecast of financial results, it is assumed that ESCON REIT will continue to own the real estate beneficiary interests in 28 properties (hereinafter "acquired assets") already acquired up to the fiscal period ended July 31, 2021 and 11 properties (hereinafter "assets to be acquired") on August 3, 2021 that there will be no changes made to the assets under management such as acquisition of new properties and/or disposition of portfolio properties, etc. until the end of the period ending July 31, 2022.</li> <li>◆ Changes may arise due to the acquisition of new properties other than the Intended Acquisition Assets, disposition of portfolio properties, etc.</li> </ul>  |
| Operating revenue       | <ul style="list-style-type: none"> <li>◆ Real estate leasing revenue is calculated based on lease contracts effective as of the date of this document, taking into account tenant and market trends and other factors. In addition, we have taken into account the negative impact on revenues of the coronavirus pandemic to a certain extent.</li> <li>◆ Operating revenue is based on the assumption that tenants will pay their rents without delinquency.</li> <li>◆ Operating revenue is based on the assumption that no gain/loss on sale of real estate will occur.</li> </ul>  |
| Operating expenses      | <ul style="list-style-type: none"> <li>◆ Of the real estate leasing business expenses which are the major operating expense, expenses excluding depreciation, are calculated based on past actual expenses, and reflect variable factors such as expected costs (taxes and public dues, management consignment fees, non-life insurance premiums, repair costs, etc.). Property taxes, city planning taxes, etc. for acquired assets are expected to be 165 million yen every fiscal period after the fiscal period ending January 31, 2022. In addition, when buying and selling real estate, etc. property tax, city planning tax, etc. are generally calculated on a pro-rata basis with the previous beneficiary and settled at the time of property acquisition. However, the Investment Corporation includes the amount equivalent to said settlement in the acquisition cost, and so the property taxes, city planning taxes, etc. for those assets acquired during the fiscal period ending January 31, 2022 will not be recorded as expenses for that fiscal period, and property taxes, city planning taxes, etc. for FY2022 will be recorded as expenses from the fiscal period ending July 31, 2022. The amount of impact when property taxes, city planning taxes, etc. are recorded as separate expenses from the fiscal period ending July 31, 2022 for those assets acquired during the fiscal period ending January 31, 2022, is expected to be 48 million yen for every fiscal period after the fiscal period ending July 31, 2022. The total amount of property tax, city planning tax, etc. included in the acquisition cost is assumed to be 40 million yen.</li> <li>◆ As expenses for repairing buildings, the amount estimated based on the medium- and long-term repair plan created by the Asset Manager is accounted for. The actual repair expenses during a specific financial period may differ significantly from the expected amount, given that damage to buildings for unexpected reasons may give rise to emergency repair expenses, the amount generally varies considerably from fiscal period to fiscal period, and repair expenses do not fall under expenses that are regularly incurred.</li> <li>◆ Depreciation is calculated using the straight-line method inclusive of incidental expenses, etc. and is expected to amount to 176 million yen in the fiscal period ending January 31, 2022 and 178 million yen in the fiscal period ending July 31, 2022.</li> </ul> |
| Non-operating expenses  | <ul style="list-style-type: none"> <li>◆ For the fiscal period ending January 31, 2022, we expect to incur expenses of 251 million yen, of which 223 million yen is expected to be interest and other borrowing-related expenses, and 26 million yen is expected to be expenses related to the issuance of new investment units and secondary offering of investment units through public offering and third-party allotment. It is assumed that all borrowing-related expenses allowed to be recorded as a lump-sum expense for accounting and tax purposes will be recorded as a lump-sum expense for the fiscal period ending January 31, 2022. All expenses related to the issuance of new investment units and secondary offering of investment units through public offering and third-party allotment will be amortized in a lump sum for the fiscal period ending January 31, 2022.</li> <li>◆ Non-operating expenses for the period ending July 31, 2022 are estimated to be 121 million yen, of which 120 million yen is for interest expenses and other borrowing cost.</li> </ul>   |
| Borrowings              | <ul style="list-style-type: none"> <li>◆ It is assumed that interest-bearing liabilities at the end of period ending January 31, 2022 will be 33,445 million yen and at the end of period ending July 31, 2022 will be 33,091 million yen.</li> <li>◆ LTV ratio is expected to be approximately 44.1% at the end of the period ending January 31, 2022 (10<sup>th</sup> fiscal period), and approximately 43.8% at the end of the period ending July 31, 2022 (11<sup>th</sup> fiscal period). The following formula was used to calculate LTV ratio:<br/> <math display="block">\text{LTV ratio} = \text{Total interest-bearing liabilities} \div \text{Total assets} \times 100</math> </li> </ul>  |

|   |  |
|---|--|
| Number of investment units                          | <ul style="list-style-type: none"> <li>◆ It is assumed that, in addition to the 351,967 units, no additional investment units will be issued before the end of the period ending July 31, 2022.</li> <li>◆ DPU (excluding distribution in excess of earnings) per unit for the period ending January 31, 2022 and period ending July 31, 2022 is calculated based on the anticipated number of investment units issued and outstanding totaling 351,967 units at the end of the period ending January 31, 2022 and period ending July 31, 2022.</li> </ul> |
| DPU (excluding distributions in excess of earnings) | <ul style="list-style-type: none"> <li>◆ DPU (excluding distribution in excess of earnings) is calculated based on the assumption that distributions will be conducted in accordance with the cash distribution policy provided in ESCON REIT's Articles of Incorporation.</li> <li>◆ DPU (excluding distribution in excess of earnings) may vary due to various factors, such as fluctuation in rent revenue accompanying changes in assets under management, changes in tenants, etc. or incurrence of unexpected repairs.</li> </ul>                    |
| Distributions in excess of earnings per unit        | <ul style="list-style-type: none"> <li>◆ Even though it is possible for ESCON REIT to make cash distributions in excess of earnings in accordance with the Articles of Incorporation, ESCON REIT does not intend to make such cash distributions at this point in time when factoring in the ratio of capital expenditures to depreciation expenses and in order to maintain conservative financial management.</li> </ul>   |
| Others  | <ul style="list-style-type: none"> <li>◆ It is assumed that there will be no revision of laws and regulations, tax systems, accounting standards, listing rules of the Tokyo Stock Exchange, Inc., and rules of The Investment Trusts Association, Japan, etc. that will impact the forecasted figures above.</li> <li>◆ It is assumed that there will be no unforeseen material change in general economic trends, real estate market conditions, etc.</li> </ul>   |

(2) Investment Risk

No disclosure necessary, since there have been no material changes from "Investment risk" in the most recent Annual Securities Report (submitted July 9, 2021).

## 2. Financial Statements

### (1) Balance Sheet

(Unit: 1,000 yen)

|   | Previous fiscal period<br>(As of January 31, 2021) | Current fiscal period<br>(As of July 31, 2021) |
|---|--|--|
| Assets                                      |  |  |
| Current assets                              |  |  |
| Cash and deposits                           | 1,298,221  | 1,380,368                                      |
| Cash and deposits in trust                  | * 1 2,465,876                                      | * 1 2,405,085                                  |
| Operating accounts receivable               | 35,268   | 41,590   |
| Prepaid expenses                            | 43,656   | 44,587   |
| Other                                       | -  | 260  |
| Total current assets                        | 3,843,022  | 3,871,893                                      |
| Noncurrent assets                           |  |  |
| Property, plant and equipment               |  |  |
| Buildings in trust                          | 8,901,715  | 8,924,115                                      |
| Accumulated depreciation                    | △427,603   | △548,580                                       |
| Buildings, net                              | * 1 8,474,111                                      | * 1 8,375,534                                  |
| Structures in trust                         | 128,715  | 145,289  |
| Accumulated depreciation                    | △17,427  | △20,889  |
| Structures, net                             | * 1 111,288  | * 1 124,400                                    |
| Tools, furniture and fixtures in trust      | 16,337   | 21,661   |
| Accumulated depreciation                    | △2,743   | △4,646   |
| Tools, furniture and fixtures in trust, net | * 1 13,593   | * 1 17,015                                     |
| Land in trust                               | * 1 43,636,242                                     | * 1 43,636,242                                 |
| Total property, plant and equipment         | 52,235,236   | 52,153,193                                     |
| Intangible assets                           |  |  |
| Trademarks                                  | 771  | 718  |
| Other                                       | 5,066  | 4,249  |
| Total intangible assets                     | 5,838  | 4,967  |
| Investment and other assets                 |  |  |
| Lease and guarantee deposits                | 10,000   | 10,000   |
| Long-term prepaid expenses                  | 32,472   | 21,485   |
| Deferred tax assets                         | 16   | 9  |
| Total investments and other assets          | 42,489   | 31,494   |
| Total noncurrent assets                     | 52,283,564   | 52,189,656                                     |
| Deferred assets                             |  |  |
| Organization expenses                       | 5,686  | -  |
| Total deferred assets                       | 5,686  | -  |
| Total assets                                | 56,132,273   | 56,061,549                                     |

(Unit: 1,000 yen)

|  | Previous fiscal period<br>(As of January 31, 2021) | Current fiscal period<br>(As of July 31, 2021) |
|--|--|--|
| <b>Liabilities</b>                                 |  |  |
| Current liabilities                                |  |  |
| Operating accounts payable                         | 94,796   | 81,951   |
| Current portion of long-term borrowings            | * 1 9,960,000                                      | * 1 9,960,000                                  |
| Accounts payable - other                           | 49,352   | 12,771   |
| Accrued expenses                                   | 124,417  | 122,324  |
| Income taxes payable                               | 944  | 803  |
| Accrued consumption tax, etc.                      | 28,506   | 24,178   |
| Advances received                                  | 265,264  | 269,096  |
| Deposits received                                  | 2,220  | 114  |
| Total current liabilities                          | 10,525,502   | 10,471,241                                     |
| Noncurrent liabilities                             |  |  |
| Long-term borrowings                               | * 1 14,470,000                                     | * 1 14,470,000                                 |
| Tenant lease and guarantee deposits in trust       | 1,678,567  | 1,679,518                                      |
| Total noncurrent liabilities                       | 16,148,567   | 16,149,518                                     |
| Total liabilities                                  | 26,674,069   | 26,620,759                                     |
| <b>Net assets</b>                                  |  |  |
| Unitholders' equity                                |  |  |
| Unitholders' capital                               | 28,439,581   | 28,439,581                                     |
| Surplus  |  |  |
| Unappropriated retained earnings (undisposed loss) | 1,018,621  | 1,001,208                                      |
| Total surplus                                      | 1,018,621  | 1,001,208                                      |
| Total unitholders' equity                          | 29,458,203   | 29,440,790                                     |
| Total net assets                                   | * 2 29,458,203                                     | * 2 29,440,790                                 |
| Total liabilities and net assets                   | 56,132,273   | 56,061,549                                     |

## (2) Profit and Loss Statement

(Unit: 1,000 yen)

|  | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|--|--|--|
| Operating revenues                                 |  |  |
| Rent revenue-real estate                           | * 1 1,714,073  | * 1 1,703,816  |
| Other lease business revenue                       | * 1 208,432  | * 1 207,013  |
| Total operating revenue                            | 1,922,505  | 1,910,829  |
| Operating expenses                                 |  |  |
| Expenses related to rent business                  | * 1 653,550  | * 1 655,322  |
| Asset management fee                               | 104,085  | 102,495  |
| Asset custody fee                                  | 2,770  | 2,771  |
| Administrative service fees                        | 9,500  | 9,402  |
| Directors' compensation                            | 3,000  | 3,000  |
| Taxes and public dues                              | 7,142  | 8,109  |
| Other operating expenses                           | 30,924   | 35,158   |
| Total operating expenses                           | 810,973  | 816,259  |
| Operating income                                   | 1,111,531  | 1,094,570  |
| Non-operating income                               |  |  |
| Interest income                                    | 16   | 16   |
| Total non-operating income                         | 16   | 16   |
| Non-operating expenses                             |  |  |
| Interest expenses                                  | 61,155   | 61,897   |
| Borrowing related expenses                         | 23,989   | 23,920   |
| Amortization of organization expenses              | 5,686  | 5,686  |
| Investment corporation bond issuance costs         | 1,206  | 1,230  |
| Total non-operating expenses                       | 92,037   | 92,734   |
| Ordinary income                                    | 1,019,510  | 1,001,852  |
| Ordinary income                                    | 1,019,510  | 1,001,852  |
| Income before income taxes                         | 947  | 806  |
| Income taxes adjustment                            | △8   | 6  |
| Total income taxes                                 | 939  | 812  |
| Net income   | 1,018,571  | 1,001,039  |
| Retained earnings brought forward                  | 50   | 169  |
| Unappropriated retained earnings (undisposed loss) | 1,018,621  | 1,001,208  |

## (3) Statements of Changes in Net Assets (Unitholders' Equity)

Previous fiscal period (August 1, 2020 – January 31, 2021)

(Unit: 1,000 yen)

(Unit: 1,000 yen)

|  | Unitholders' equity                        |  |               |                              | Total net assets |
|--|--|--|---------------|------------------------------|------------------|
|  | Unitholders' capital<br>/<br>Total capital | Surplus  |               | Total unitholders'<br>equity |                  |
|  |  | Unappropriated<br>retained earnings<br>(or undisposed<br>loss) | Total surplus |                              |                  |
| Balance at the beginning of the period   | 28,439,581                                 | 970,678  | 970,678       | 29,410,260                   | 29,410,260       |
| Changes of items during the period       |  |  |               |                              |                  |
| Dividends from surplus                   | -  | △970,628   | △970,628      | △970,628                     | △970,628         |
| Net income                               | -  | 1,018,571  | 1,018,571     | 1,018,571                    | 1,018,571        |
| Total changes of items during the period | -  | 47,942   | 47,942        | 47,942                       | 47,942           |
| Balance at the end of the period         | * 1 28,439,581                             | 1,018,621  | 1,018,621     | 29,458,203                   | 29,458,203       |

Current fiscal period (February 1, 2021 – July 31, 2021)

(Unit: 1,000 yen)

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

## (4) Statements of Cash Dividend Distributions

(Unit: yen)

|   | Previous fiscal period<br>(August 1, 2020 – January 31, 2021)   | Current fiscal period<br>(February 1, 2021 – July 31, 2021)   |
|---|---|---|
| I . Unappropriated retained earnings                                      | 1,018,621,648   | 1,001,208,970   |
| II . Distributions  | 1,018,452,218   | 1,001,190,316   |
| Distributions per unit (excluding<br>distributions in excess of earnings) | (3,599)   | (3,538)   |
| III . Retained earnings carried forward                                   | 169,430   | 18,654  |
| How distributions were calculated   | The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESCON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, ESCON REIT has decided to distribute 1,018,452,218 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act. | The cash distribution policy set out in Article 36, Paragraph 1 of the Articles of Incorporation of ESCON REIT stipulates that the amount of distributions shall not exceed the amount of profit and shall exceed the amount equivalent to 90% of profit available for distribution as provided for in Article 67-15 of the Act on Special Measures Concerning Taxation. Based on this policy, ESCON REIT has decided to distribute 1,001,190,316 yen. It is roughly the full amount of revenue stipulated in Article 136, Paragraph 1 of the Investment Trust Act. |



## (5) Cash Flow Statement

(Unit: 1,000 yen)

|  | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|--|--|--|
| <b>Cash Flows from Operating Activities</b>                |  |  |
| Income before income taxes                                 | 1,019,510  | 1,001,852  |
| Depreciation   | 125,911  | 127,212  |
| Amortization of organization expenses                      | 5,686  | 5,686  |
| Interest income  | △16  | △16  |
| Interest expenses  | 61,155   | 61,897   |
| Decrease (increase) of operating accounts receivable       | 4,402  | △6,321   |
| Decrease (increase) in prepared expenses                   | 4,848  | △931   |
| Decrease (increase) of long-term prepaid expenses          | 20,362   | 10,987   |
| Increase (decrease) in operating accounts payable          | △14,517  | △12,845  |
| Increase (decrease) in accounts payable - other            | 38,140   | △37,064  |
| Increase (decrease) in accrued expenses                    | 21,478   | △1,752   |
| Increase (decrease) in accrued consumption tax, etc.)      | △24,834  | △4,327   |
| Increase (decrease) in advances received                   | 917  | 3,831  |
| Others   | 2,121  | △2,366   |
| Subtotal   | 1,265,165  | 1,145,842  |
| Interest income received                                   | 16   | 16   |
| Interest expenses paid                                     | △60,473  | △62,236  |
| Income taxes (paid) refund                                 | △778   | △947   |
| Net cash provided by (used in) operating activities        | 1,203,929  | 1,082,674  |
| <b>Cash Flows from Investing Activities</b>                |  |  |
| Purchase of property, plant and equipment in trust         | △25,158  | △44,298  |
| Proceeds from tenant lease and guarantee deposits in trust | 8,579  | 5,853  |
| Repayments of tenant lease and guarantee deposits in trust | △18,152  | △4,902   |
| Net cash provided by (used in) investing activities        | △34,730  | △43,347  |
| <b>Cash Flows from Financing Activities</b>                |  |  |
| Distributions paid   | △969,163   | △1,017,969   |
| Net cash provided by (used in) financing activities        | △969,163   | △1,017,969   |
| Increase (decrease) in cash and cash equivalents           | 200,036  | 21,357   |
| Cash and cash equivalents at the beginning of period       | 3,564,061  | 3,764,097  |
| Cash and cash equivalents at the end of period             | * 1 3,764,097  | * 1 3,785,454  |

(6) Notes on Going Concern Assumptions  
Not applicable.

(7) Notes on Matters Concerning Significant Accounting Policies

|   |  |
|---|--|
| 1. Method of depreciation of noncurrent assets    | <p>(1) Property, plant and equipment (including assets in trust)<br/>The straight-line method is used. The useful lives of property, plant and equipment are as follows.</p> <p>Buildings                      3 to 63 years<br/>Structures                      12 to 63 years<br/>Furniture and fixtures      3 to 6 years</p> <p>(2) Intangible assets<br/>The straight-line method is used.</p> <p>(3) Long-term prepaid expenses<br/>The straight-line method is used.</p>  |
| 2. Accounting for deferred assets                 | <p>Organization expenses<br/>Organization expenses are amortized equally over a period of five years.</p>  |
| 3. Accounting standards for revenues and expenses | <p>Accounting for property taxes, etc.<br/>With respect to property taxes, city planning taxes, depreciable asset taxes, etc. on real estate holdings, the amounts corresponding to the current fiscal period are treated as real estate business expenses.</p> <p>Following the acquisition of real estate or trust beneficiary interests in real estate, the amount equivalent to property taxes, etc. for the first year paid to the transferor as a settlement payment is not recorded as an expense, but is instead included in the acquisition cost for said real estate, etc. There was no amount equivalent to property taxes, etc. included in the acquisition costs for real estate, etc. during the previous and current fiscal periods.</p>  |
| 4. Scope of funds in the statement of cash flows  | <p>Funds (cash and cash equivalents) in the statement of cash flows consist of cash on hand, cash in trust, deposits and deposits in trust that can be withdrawn at any time, and short-term investments that are readily convertible into cash, with low risk of price fluctuations and with a maturity of less than three months.</p>  |
| 5. Other bases for preparing financial statements | <p>(1) Accounting for trust beneficial interests in real estate as trust asset<br/>With regard to trust beneficial interests in real estate held as trust assets, all assets and liabilities as well as all revenue and expense items associated with trust assets are accounted for under the respective account items of the balance sheet and the profit and loss statement.</p> <p>Of the trust assets accounted for under the respective account items, the following items of significance are separately indicated on the balance sheet.</p> <p>i. Cash in trust and deposits in trust<br/>ii. Buildings in trust and structures in trust<br/>Tools, furniture and fixtures in trust and land in trust<br/>iii. Tenant lease and guarantee deposits in trust</p> <p>(2) Accounting for consumption taxes<br/>The accounting for consumption taxes and local consumption taxes is tax exclusive. However, non-deductible consumption taxes on noncurrent assets are included in the acquisition cost of individual assets.</p> |

## (8) Notes to Financial Statements

[Note to Balance Sheets]

(Unit: 1,000 yen)

|  | Previous fiscal period<br>(As of January 31, 2021) | Current fiscal period<br>(As of July 31, 2021) |
|--|--|--|
| *1. Assets offered as security and liabilities on which security is established  |  |  |
| Assets offered as security are as follows.   |  |  |
| Cash and deposits in trust   | 2,465,876  | 2,405,085                                      |
| Buildings in trust   | 8,474,111  | 8,375,534                                      |
| Structures in trust  | 111,288  | 124,400  |
| Tools, furniture and fixtures in trust   | 13,593   | 17,015   |
| Land in trust  | 43,636,242   | 43,636,242                                     |
| Total  | 54,701,112   | 54,558,279                                     |
| Liabilities on which security is established are as follows.   |  |  |
| Current portion of long-term borrowings  | 9,960,000  | 9,960,000                                      |
| Long-term borrowings   | 14,470,000   | 14,470,000                                     |
| Total  | 24,430,000   | 24,430,000                                     |
| *2. Minimum amount of net assets provided for in Article 67, Paragraph 4 of the Act on Investment Trusts and Investment Corporations | 50,000   | 50,000   |

[Notes to Profit and Loss Statements]

(Unit: 1,000 yen)

|   | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|---|--|--|
| *1 Breakdown of income from real estate rent business |  |  |
| A. Real estate rent business revenue                  |  |  |
| Rent business revenue                                 |  |  |
| Rent revenue  | 724,505  | 717,739  |
| Land rents received                                   | 684,052  | 684,052  |
| Common service fees                                   | 99,752   | 97,178   |
| Other rent revenues                                   | 205,763  | 204,846  |
| Total   | 1,714,073  | 1,703,816  |
| Other rent business revenues                          |  |  |
| Utilities charges received                            | 193,788  | 172,730  |
| Other revenues  | 14,643   | 34,282   |
| Total   | 208,432  | 207,013  |
| Total real estate rent business revenue               | 1,922,505  | 1,910,829  |
| B. Real estate rent business expenses                 |  |  |
| Rent business expenses                                |  |  |
| Administrative expenses                               | 156,364  | 158,694  |
| Trust fees  | 6,275  | 6,275  |
| Utilities charges                                     | 174,076  | 155,127  |
| Non-life insurance premiums                           | 2,753  | 2,718  |
| Repair expenses                                       | 41,426   | 38,268   |
| Taxes and public dues                                 | 137,964  | 160,287  |
| Depreciation  | 125,041  | 126,341  |
| Other rent business expenses                          | 9,650  | 7,607  |
| Total real estate rent business expenses              | 653,550  | 655,322  |
| C. Income from real estate rent business (A - B)      | 1,268,955  | 1,255,507  |

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

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

|   | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|---|--|--|
| Total number of investment units authorized             | 10,000,000 units   | 10,000,000 units   |
| Total number of investment units issued and outstanding | 282,982 units  | 282,982 units  |

[Notes to Statement of Cash Flows]

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

(Unit: 1,000 yen)

|                            | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|----------------------------|--|--|
| Cash and deposits          | 1,298,221  | 1,380,368  |
| Cash and deposits in trust | 2,465,876  | 2,405,085  |
| Cash and cash equivalents  | 3,764,097  | 3,785,454  |

[Notes to Financial Instruments]

1. Matters concerning the status of financial instruments

(1) Policies on financial instruments

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

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

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

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

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

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

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

The fair value of financial instruments includes values based on reasonable calculation when there is no market value, in addition to values based on market value. Certain assumptions are used in the calculation of the values. Accordingly, there may be cases where the values will vary when different assumptions are used.

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

The carrying value, fair value, and difference between the carrying value and fair value as of January 31, 2021 are as follows. Financial instruments, the fair value of which is deemed extremely difficult to be determined, are not included (see \*2).

(Unit: 1,000 yen)

|   | Carrying value | Fair value (*1) | Difference |
|---|----------------|-----------------|------------|
| (1) Cash and deposits                       | 1,298,221      | 1,298,221       | -          |
| (2) Cash and deposits in trust              | 2,465,876      | 2,465,876       | -          |
| Total assets                                | 3,764,097      | 3,764,097       | -          |
| (3) Current portion of long-term borrowings | 9,960,000      | 9,960,000       | -          |
| (4) Long-term borrowings                    | 14,470,000     | 14,470,000      | -          |
| Total liabilities                           | 24,430,000     | 24,430,000      | -          |

The carrying value, fair value, and difference between the carrying value and fair value as of July 31, 2021 are as follows. Financial instruments, the fair value of which is deemed extremely difficult to be determined, are not included (see \*2).

(Unit: 1,000 yen)

|   | Carrying value | Fair value (*1) | Difference |
|---|----------------|-----------------|------------|
| (1) Cash and deposits                       | 1,380,368      | 1,380,368       | -          |
| (2) Cash and deposits in trust              | 2,405,085      | 2,405,085       | -          |
| Total assets                                | 3,785,454      | 3,785,454       | -          |
| (3) Current portion of long-term borrowings | 9,960,000      | 9,960,000       | -          |
| (4) Long-term borrowings                    | 14,470,000     | 14,470,000      | -          |
| Total liabilities                           | 24,430,000     | 24,430,000      | -          |

Notes:

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

(1) Cash and deposits and (2) Cash in trust and deposits in trust

Given that these items are settled within a short period of time, their fair values are nearly equal to their carrying values. Therefore, the carrying value is used as the fair value.

(3) Current portion of long-term borrowings (4) Long-term borrowings

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

\*2 The carrying value of financial instruments, the fair value of which is deemed extremely difficult to be determined.

(Unit: 1,000 yen)

|  | 8th fiscal period (January 31, 2021) | 9th fiscal period (July 31, 2021) |
|--|--------------------------------------|-----------------------------------|
| Tenant lease and guarantee deposits in trust | 1,678,567                            | 1,679,518                         |

Tenant lease and guarantee deposits in trust

Tenant lease and guarantee deposits in trust deposited by tenants do not have a market price, and the lease contract could be terminated, renewed or re-signed even if there is a provision concerning the term of contract. For this reason, a substantive deposit period is unable to be determined, and it is deemed difficult to estimate reasonable future cash flows. Accordingly, tenant lease and guarantee deposits in trust are not subject to disclosure at fair value.

\*Scheduled redemption of monetary claims after the closing date (January 31, 2021)

(Unit: 1,000 yen)

|                            | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|----------------------------|---------------|-----------|-----------|-----------|-----------|--------------|
| Cash and deposits          | 1,298,221     | –         | –         | –         | –         | –            |
| Cash and deposits in trust | 2,465,876     | –         | –         | –         | –         | –            |
| Total                      | 3,764,097     | –         | –         | –         | –         | –            |

Scheduled redemption of monetary claims after the closing date (July 31, 2021)

(Unit: 1,000 yen)

|                            | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years |
|----------------------------|---------------|-----------|-----------|-----------|-----------|--------------|
| Cash and deposits          | 1,380,368     | –         | –         | –         | –         | –            |
| Cash and deposits in trust | 2,405,085     | –         | –         | –         | –         | –            |
| Total                      | 3,785,454     | –         | –         | –         | –         | –            |

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

(Unit: 1,000 yen)

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

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

(Unit: 1,000 yen)

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

[Notes to Tax Effect Accounting]

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

(Unit: 1,000yen)

|   | Previous fiscal period<br>(As of January 31, 2021) | Current fiscal period<br>(As of July 31, 2021) |
|---|--|--|
| (Deferred tax assets)                                   |  |  |
| Unpaid business tax not included in deductible expenses | 16   | 9  |
| Total deferred tax assets                               | 16   | 9  |
| (Net deferred tax assets)                               | 16   | 9  |

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

(Unit: %)

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

[Notes to Real Estate for Lease]

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

(Unit: 1,000 yen)

|   |   | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|---|---|--|--|
| Carrying value <sup>*1</sup>                      | Balance at the beginning of the period  | 52,335,119   | 52,235,236   |
|   | Changes during the period <sup>*2</sup> | (99,882)   | (82,043)   |
|   | Balance at the end of the period        | 52,235,236   | 52,153,193   |
| Fair value at the end of the period <sup>*3</sup> |   | 56,896,000   | 56,953,000   |

Notes:

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

\*2 Of the changes during the period, most of the increase of the previous period was mainly due to capital expenditures for five properties, including Asumigaoka Brand-New Mall (25,158 thousand yen in total), while the decrease is mainly due to depreciation (125,041 thousand yen). The increase in the current fiscal period is mainly due to capital expenditures for five properties, including Pare Marche Nishiharu (44,298 thousand yen in total), while the decrease is mainly due to depreciation (126,341 thousand yen).

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

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

[Notes to Per Unit Information]

|                     | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|---------------------|--|--|
| Net assets per unit | 104,099 yen  | 104,037 yen  |
| Net income per unit | 3,599 yen  | 3,537 yen  |

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

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

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

|  |             | Previous fiscal period<br>(August 1, 2020 –<br>January 31, 2021) | Current fiscal period<br>(February 1, 2021 –<br>July 31, 2021) |
|--|-------------|--|--|
| Net income   | (1,000 yen) | 1,018,571  | 1,001,039  |
| Amount not attributable to common unitholders        | (1,000 yen) | -  | -  |
| Net income for common investment units               | (1,000 yen) | 1,018,571  | 1,001,039  |
| Average number of investment units during the period | (Units)     | 282,982  | 282,982  |

[Notes to Significant Subsequent Events]

A. Issuance of new investment units

Based on the approval of the Board of Directors at meetings held on July 9 and July 19, 2021, ESCON REIT issued new investment units as follows, with the payment for the issuance of new investment units through public offering completed on August 2, 2021, and the payment for the issuance of new investment units through third-party allotment completed on August 24, 2021. As a result, as of the date of this document, the total investment amount is 38,107,208,830 yen and the total number of investment units issued and outstanding is 351,967 units.

(Issuance of new investment units through public offering)

|   |                      |
|---|----------------------|
| Number of new investment units issued     | 65,700 units         |
| Issue price (offer price)                 | 145,282 yen per unit |
| Total issue price (total offer price)     | 9,545,027,400 yen    |
| Amount paid in (issue amount)             | 140,141 yen per unit |
| Total amount paid in (total issue amount) | 9,207,263,700 yen    |
| Payment date                              | August 2, 2021       |
| Distribution start date                   | August 1, 2021       |

(Use of proceeds)

The funds raised through the above public offering were used to partially fund the acquisition of real estate trust beneficiary interests

as described in “C. Acquisition of assets” below.

(Issuance of new investment units through third-party allotment)

|   |  |
|---|--|
| Number of new investment units issued     | 3,285 units  |
| Amount paid in (issue amount)             | 140,141 yen per unit                               |
| Total amount paid in (total issue amount) | 460,363,185 yen                                    |
| Payment date                              | August 24, 2021                                    |
| Allottee                                  | Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. |
| Distribution start date                   | August 1, 2021                                     |

(Use of proceeds)

The funds raised through the above third-party allotment will be used in the future to acquire specified assets, or to repay borrowings.

#### B. Borrowings

ESCON REIT borrowed the following funds to partially fund the acquisition of real estate trust beneficiary interests and incidental expenses as described in “C. Acquisition of assets” below.

| and incidental expenses as described in C. Acquisition of assets - below. |                                     |                                    |   |                |                |                  |                      |
|---|-------------------------------------|------------------------------------|---|----------------|----------------|------------------|----------------------|
| Type  | Lenders                             | Borrowing amount<br>(thousand yen) | Interest rate   | Drawdown date  | Repayment date | Repayment method | Remarks              |
| Short-term borrowings   | Mizuho Bank, Ltd.                   | 354,000                            | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.20% | August 3, 2021 | July 29, 2022  | Bullet repayment | Secured Unguaranteed |
| Long-term borrowings  | Mizuho Bank, Ltd.                   | 1,092,000                          | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.35% | August 3, 2021 | July 31, 2025  |                  |                      |
|   | The Bank of Yokohama, Ltd.          | 450,000                            |   |                |                |                  |                      |
|   | Sumitomo Mitsui Banking Corporation | 400,000                            |   |                |                |                  |                      |
|   | Sumitomo Mitsui Trust Bank, Ltd.    | 400,000                            |   |                |                |                  |                      |
|   | The Aichi Bank, Ltd.                | 300,000                            |   |                |                |                  |                      |
|   | Resona Bank, Ltd.                   | 250,000                            |   |                |                |                  |                      |
|   | The Minato Bank, Ltd.               | 200,000                            |   |                |                |                  |                      |
|   | Mizuho Trust & Banking Co., Ltd.    | 200,000                            |   |                |                |                  |                      |
|   | Sumitomo Mitsui Banking Corporation | 500,000                            | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.45% | August 3, 2021 | July 31, 2026  |                  |                      |
|   | Sumitomo Mitsui Trust Bank, Ltd.    | 400,000                            |   |                |                |                  |                      |
|   | MUFG Bank, Ltd.                     | 400,000                            |   |                |                |                  |                      |
|   | The Yamaguchi Bank, Ltd.            | 400,000                            |   |                |                |                  |                      |
|   | Resona Bank, Ltd.                   | 350,000                            |   |                |                |                  |                      |
|   | Mizuho Bank, Ltd.                   | 337,000                            |   |                |                |                  |                      |
|   | The Hyakugo Bank, Ltd.              | 300,000                            |   |                |                |                  |                      |
|   | The Minato Bank, Ltd.               | 200,000                            |   |                |                |                  |                      |
|   | Mizuho Bank, Ltd.                   | 737,000                            | Base rate<br>(the three-month Japanese yen Tokyo Interbank Offered Rate) +0.50% | August 3, 2021 | July 30, 2027  |                  |                      |
|   | The Chukyo Bank, Ltd.               | 500,000                            |   |                |                |                  |                      |
|   | AEON Bank, Ltd.                     | 400,000                            |   |                |                |                  |                      |
|   | The Yamaguchi Bank, Ltd.            | 400,000                            |   |                |                |                  |                      |



| Type             | Lenders                    | Borrowing amount<br>(thousand yen) | Interest rate | Drawdown date | Repayment date | Repayment method | Remarks |
|------------------|----------------------------|------------------------------------|---------------|---------------|----------------|------------------|---------|
|                  | The Bank of Yokohama, Ltd. | 350,000                            |               |               |                |                  |         |
|                  | The Minato Bank, Ltd.      | 300,000                            |               |               |                |                  |         |
|                  | MUFG Bank, Ltd.            | 200,000                            |               |               |                |                  |         |
| Total borrowings |                            | 9,420,000                          |               |               |                |                  |         |

### C. Acquisition of assets

ESCON REIT acquired the following real estate trust beneficiary interests on August 3, 2021. The acquisition price is the amount (the sale price stated in the trust beneficiary interest purchase and sale agreement) that does not include various expenses (such as intermediary fees or taxes and public dues) required for the acquisition.

| Property name  | Location                   | Acquisition price<br>(Thousand yen) |
|--|----------------------------|-------------------------------------|
| tonarie Toga・Mikita (50% ownership)*                         | Sakai-shi, Osaka           | 3,496,000                           |
| TRIAL Omihachiman (leasehold land)                           | Omihachiman-shi, Shiga     | 1,010,000                           |
| Kusuri No Aoki Ikaruga (leasehold land)                      | Ikoma-gun, Nara            | 711,700                             |
| DRUG Yutaka Mukokamiueno<br>(leasehold land)                 | Muko-shi, Kyoto            | 460,000                             |
| WELCIA Amagasaki Mukomotomachi<br>(leasehold land)           | Amagasaki-shi, Hyogo       | 565,000                             |
| Cocokara Fine Neyagawakoen<br>(leasehold land)               | Neyagawa-shi, Osaka        | 702,000                             |
| ENEOS Ikawadani SS<br>(leasehold land)                       | Kobe-shi, Hyogo            | 530,000                             |
| GEO Hikone Takamiya<br>(leasehold land)                      | Hikone-shi, Shiga          | 300,000                             |
| SUROY MALL Nagamine  | Kumamoto-shi, Kumamoto     | 4,600,000                           |
| Fuji Grand Natalie   | Hatsukaichi-shi, Hiroshima | 3,950,000                           |
| YAMADA DENKI Tecc.Land Sapporo Shiroishi<br>(leasehold land) | Sapporo-shi, Hokkaido      | 1,300,000                           |
| Total acquired assets (11 properties)                        |                            | 17,624,700                          |

\* ESCON REIT acquired a 50% quasi co-ownership interest in the trust beneficiary rights for tonarie Toga・Mikita on February 4, 2020.

The acquired asset is a 50% quasi co-ownership interest, which is the remaining portion of the trust beneficiary rights for tonarie Toga Mikita that Chuden Real Estate Co. had acquired on the same day, and as a result of this new acquisition, ESCON REIT will own the entire trust beneficiary rights for tonarie Toga・Mikita.

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

Changes in the total amount of investment and the total number of investment units issued and outstanding for ESCON REIT since its establishment to July 31, 2021, are as follows.

| Date              | Summary  | Total number of investment units<br>Issued and outstanding(units) |         | Total amount of investment<br>(thousand yen) |            | Remarks |
|-------------------|--|---|---------|--|------------|---------|
|                   |  | Increase  | Balance | Increase                                     | Balance    |         |
| August 26, 2016   | Establishment through private placement        | 2,000   | 2,000   | 200,000                                      | 200,000    | *1      |
| February 13, 2017 | Capital increase through private placement     | 7,500   | 9,500   | 750,000                                      | 950,000    | *2      |
| October 13, 2017  | Investment unit split                          | 500   | 10,000  | -  | 950,000    | *3      |
| December 1, 2017  | Capital increase through private placement     | 38,649  | 48,649  | 3,671,655                                    | 4,621,655  | *4      |
| February 12, 2019 | Capital increase through public offering       | 188,351   | 237,000 | 18,319,583                                   | 22,941,238 | *5      |
| February 3, 2020  | Capital increase through public offering       | 43,792  | 280,792 | 5,236,472                                    | 28,177,710 | *6      |
| February 26, 2020 | Capital increase through third-party allotment | 2,190   | 282,982 | 261,871                                      | 28,439,581 | *7      |

Notes:

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

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

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

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

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

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

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

### 3. Reference Information

#### (1) Portfolio information

##### i . Status of investment

| Asset type                 | Region                    | 8 <sup>th</sup> fiscal period<br>As of January 31, 2021 |                                    | 9 <sup>th</sup> fiscal period<br>As of July 31, 2021 |                                    |
|----------------------------|---------------------------|---|------------------------------------|--|------------------------------------|
|                            |                           | Total amount owned<br>(million yen)<br>*1               | Ratio to total assets<br>(%)<br>*2 | Total amount owned<br>(million yen)<br>*1            | Ratio to total assets<br>(%)<br>*2 |
| Real estate in trust       | Tokyo metropolitan area   | 7,806   | 13.9                               | 7,788  | 13.9                               |
|                            | Kinki metropolitan area   | 26,686  | 47.5                               | 26,633   | 47.5                               |
|                            | Chukyo metropolitan area  | 5,069   | 9.0                                | 5,058  | 9.0                                |
|                            | Fukuoka metropolitan area | 10,537  | 18.8                               | 10,537   | 18.8                               |
|                            | Other area                | 2,136   | 3.8                                | 2,136  | 3.8                                |
| Total real estate in trust |                           | 52,235  | 93.1                               | 52,153   | 93.0                               |
| Deposits and other assets  |                           | 3,897   | 6.9                                | 3,908  | 7.0                                |
| Total assets               |                           | 56,132  | 100.0                              | 56,061   | 100.0                              |

|                   | Amount<br>(million yen) | Ratio to total assets<br>(%)<br>*2 | Amount<br>(million yen) | Ratio to total assets<br>(%)<br>*2 |
|-------------------|-------------------------|------------------------------------|-------------------------|------------------------------------|
| Total liabilities | 26,674                  | 47.5                               | 26,620                  | 47.5                               |
| Total net assets  | 29,458                  | 52.5                               | 29,440                  | 52.5                               |

Notes:

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

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

##### ii . Investment assets

#### A. Major investment securities

Not applicable.

#### B. Investment properties

Not applicable.

C. Other major investment assets

a. Overview of assets owned

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

(As of July 31, 2021)

| Property number<br>*1 | Property name   | Location               | Acquisition price<br>(million yen) *2 | Book value<br>(million yen) *3 | Appraisal value at<br>the end of the<br>period<br>(million yen) *4 | Appraiser                             |
|-----------------------|---|------------------------|---------------------------------------|--------------------------------|--|---------------------------------------|
| ST-1                  | Asumigaoka Brand-New Mall (including Asumigaoka (Leasehold land)) | Chiba-shi, Chiba       | 3,200                                 | 3,222                          | 3,380<br>296   | The Tanizawa Sogo Appraisal Co., Ltd. |
| ST-2                  | Nishi-shiroi Ekimae Plaza   | Shiroi-shi, Chiba      | 451                                   | 453                            | 468  | Daiwa Real Estate Appraisal Co., Ltd. |
| SS-1                  | K's Denki Oyumino (Leasehold land)                                | Chiba-shi, Chiba       | 2,710                                 | 2,737                          | 2,870  | JLL Morii Valuation & Advisory KK     |
| SS-2                  | Nitori Tsuchiura (Leasehold land)                                 | Tsuchiura-shi, Ibaraki | 999                                   | 1,007                          | 1,090  | JLL Morii Valuation & Advisory KK     |
| SS-3                  | Nitori Imaichi (Leasehold land)                                   | Nikko-shi, Tochigi     | 363                                   | 368                            | 407  | JLL Morii Valuation & Advisory KK     |
| KT-1                  | tonarie Minami-senri  | Suita-shi, Osaka       | 7,200                                 | 7,182                          | 7,990  | The Tanizawa Sogo Appraisal Co., Ltd. |
| KT-2                  | tonarie Seiwadai  | Kawanishi-shi, Hyogo   | 3,290                                 | 3,232                          | 3,400  | Daiwa Real Estate Appraisal Co., Ltd. |
| KT-3                  | tonarie Yamatotakada (ownership 50%)                              | Yamatotakada-shi, Nara | 4,150                                 | 4,148                          | 4,060  | JLL Morii Valuation & Advisory KK     |
| KT-4                  | tonarie Toga・Mikita (ownership 50%)                               | Sakai-shi, Osaka       | 3,490                                 | 3,473                          | 3,560  | Daiwa Real Estate Appraisal Co., Ltd. |
| KS-1                  | LAMU Kitatsumori (Leasehold land)                                 | Osaka-shi, Osaka       | 1,270                                 | 1,284                          | 1,480  | JLL Morii Valuation & Advisory KK     |
| KS-2                  | K's Denki Nishi-kobe (Leasehold land)                             | Kobe-shi, Hyogo        | 2,133                                 | 2,154                          | 2,470  | JLL Morii Valuation & Advisory KK     |
| KS-3                  | Sanyo Marunaka Mitani (Leasehold land)                            | Kobe-shi, Hyogo        | 1,430                                 | 1,443                          | 1,520  | JLL Morii Valuation & Advisory KK     |
| KS-4                  | Tsutaya Sakai-minami (Leasehold land)                             | Sakai-shi, Osaka       | 946                                   | 955                            | 1,020  | JLL Morii Valuation & Advisory KK     |
| KS-5                  | LIFE Daisen (Leasehold land)                                      | Sakai-shi, Osaka       | 2,733                                 | 2,758                          | 3,060  | Daiwa Real Estate Appraisal Co., Ltd. |
| TT-1                  | Pare Marche Nishiharu   | Kitanagoya-shi, Aichi  | 4,610                                 | 4,574                          | 4,400  | Daiwa Real Estate Appraisal Co., Ltd. |
| TS-1                  | MaxValu Kikyogaoka-higashi (Leasehold land)                       | Nabari-shi, Mie        | 477                                   | 483                            | 539  | JLL Morii Valuation & Advisory KK     |
| FS-1                  | MrMAX Kasuga (Leasehold land)                                     | Kasuga-shi, Fukuoka    | 3,387                                 | 3,428                          | 3,910  | The Tanizawa Sogo Appraisal Co., Ltd. |
| FS-2                  | UNIQLO Kasuga (Leasehold land)                                    | Kasuga-shi, Fukuoka    | 595                                   | 601                            | 665  | The Tanizawa Sogo Appraisal Co., Ltd. |
| FS-3                  | Avail.Shimamura Kasuga (Leasehold land)                           | Kasuga-shi, Fukuoka    | 863                                   | 874                            | 1,100  | The Tanizawa Sogo Appraisal Co., Ltd. |
| FS-4                  | au-Softbank Kasuga (Leasehold land)                               | Kasuga-shi, Fukuoka    | 143                                   | 145                            | 160  | The Tanizawa Sogo Appraisal Co., Ltd. |
| FS-5                  | Kura Sushi Kasuga (Leasehold land)                                | Kasuga-shi, Fukuoka    | 261                                   | 264                            | 304  | The Tanizawa Sogo Appraisal Co., Ltd. |
| FS-6                  | docomo Shop Kasuga (Leasehold land)                               | Kasuga-shi, Fukuoka    | 160                                   | 163                            | 182  | The Tanizawa Sogo Appraisal Co., Ltd. |
| FS-7                  | Konpira Maru Kasuga (Leasehold land)                              | Kasuga-shi, Fukuoka    | 236                                   | 239                            | 265  | The Tanizawa Sogo Appraisal Co., Ltd. |

|       |   |                           |        |        |        |  |
|-------|---|---------------------------|--------|--------|--------|--|
| FS-8  | One-Karubi Kasuga<br>(Leasehold land)   | Kasuga-shi,<br>Fukuoka    | 236    | 239    | 265    | The Tanizawa Sogo<br>Appraisal Co., Ltd. |
| FS-9  | Suke-san Kasuga<br>(Leasehold land)     | Kasuga-shi,<br>Fukuoka    | 401    | 405    | 422    | The Tanizawa Sogo<br>Appraisal Co., Ltd. |
| FS-10 | NAFCO Kasuga<br>(Leasehold land)        | Kasuga-shi,<br>Fukuoka    | 2,631  | 2,666  | 3,400  | The Tanizawa Sogo<br>Appraisal Co., Ltd. |
| FS-11 | K's Denki Kasuga<br>(Leasehold land)    | Kasuga-shi,<br>Fukuoka    | 1,487  | 1,506  | 1,830  | The Tanizawa Sogo<br>Appraisal Co., Ltd. |
| OS-1  | K's Denki Kurashiki<br>(Leasehold land) | Kurashiki-shi,<br>Okayama | 2,121  | 2,136  | 2,440  | JLL Morii<br>Valuation &<br>Advisory KK  |
|       | Total                                   |                           | 51,980 | 52,153 | 56,953 |  |

Notes:

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

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

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

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

b. Overview of lease

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

(As of July 31, 2021)

| Property number | Property name                               | Total number of tenants *1 | Rentable area (m <sup>2</sup> ) *2 | Leased area (m <sup>2</sup> ) *2 | Occupancy rate (%) *3 | Real estate rent business revenue (million yen) *4 | Ratio to total rent revenue (%) |
|-----------------|---|----------------------------|------------------------------------|----------------------------------|-----------------------|--|---------------------------------|
| ST-1            | Asumigaoka Brand-New Mall                   | 29                         | 22,480.50                          | 22,367.48                        | 99.5                  | 231  | 12.1                            |
|                 | Asumigaoka Brand-New Mall(Leasehold land)   | 2                          | 2,672.67                           | 2,672.67                         | 100.0                 |  |                                 |
| ST-2            | Nishi-shiroi Ekimae Plaza                   | 4                          | 969.72                             | 969.72                           | 100.0                 | 19   | 1.0                             |
| SS-1            | K's Denki Oyumino (Leasehold land)          | 1                          | 23,379.50                          | 23,379.50                        | 100.0                 | 70   | 3.7                             |
| SS-2            | Nitori Tsuchiura (Leasehold land)           | 1                          | 10,312.00                          | 10,312.00                        | 100.0                 | Not disclosed *5                                   | Not disclosed *5                |
| SS-3            | Nitori Imaichi (Leasehold land)             | 1                          | 10,236.00                          | 10,236.00                        | 100.0                 | Not disclosed *5                                   | Not disclosed *5                |
| KT-1            | tonarie Minami-senri                        | 45                         | 7,535.16                           | 7,535.16                         | 100.0                 | 322  | 16.9                            |
| KT-2            | tonarie Seiwadai                            | 33                         | 8,798.01                           | 8,798.01                         | 100.0                 | 185  | 9.7                             |
| KT-3            | tonarie Yamatotakada (ownership 50%)        | 62                         | 14,399.77                          | 13,327.62                        | 92.6                  | 183  | 9.6                             |
| KT-4            | tonarie Toga・Mikita (ownership 50%)         | 32                         | 8,471.24                           | 8,471.24                         | 100.0                 | 129  | 6.8                             |
| KS-1            | LAMU Kitatsumori (Leasehold land)           | 1                          | 11,677.03                          | 11,677.03                        | 100.0                 | 38   | 2.0                             |
| KS-2            | K's Denki Nishi-kobe (Leasehold land)       | 1                          | 9,787.68                           | 9,787.68                         | 100.0                 | 62   | 3.3                             |
| KS-3            | Sanyo Marunaka Mitani (Leasehold land)      | 1                          | 9,610.80                           | 9,610.80                         | 100.0                 | Not disclosed *5                                   | Not disclosed *5                |
| KS-4            | Tsutaya Sakai-minami (Leasehold land)       | 1                          | 4,406.04                           | 4,406.04                         | 100.0                 | 21   | 1.1                             |
| KS-5            | LIFE Daisen (Leasehold land)                | 1                          | 9,264.48                           | 9,264.48                         | 100.0                 | 72   | 3.8                             |
| TT-1            | Pare Marche Nishiharu                       | 52                         | 26,432.58                          | 26,128.67                        | 98.9                  | 160  | 8.4                             |
| TS-1            | MaxValu Kikyogaoka-higashi (Leasehold land) | 1                          | 9,025.88                           | 9,025.88                         | 100.0                 | Not disclosed *5                                   | Not disclosed *5                |
| FS-1            | MrMAX Kasuga (Leasehold land)               | 1                          | 38,113.27                          | 38,113.27                        | 100.0                 | 84   | 4.4                             |
| FS-2            | UNIQLO Kasuga (Leasehold land)              | 1                          | 5,426.59                           | 5,426.59                         | 100.0                 | 13   | 0.7                             |
| FS-3            | Avail.Shimamura Kasuga (Leasehold land)     | 1                          | 8,752.57                           | 8,752.57                         | 100.0                 | 23   | 1.2                             |
| FS-4            | au-Softbank Kasuga (Leasehold land)         | 1                          | 1,200.84                           | 1,200.84                         | 100.0                 | 3  | 0.2                             |
| FS-5            | Kura Sushi Kasuga (Leasehold land)          | 1                          | 2,257.85                           | 2,257.85                         | 100.0                 | 7  | 0.4                             |
| FS-6            | docomo Shop Kasuga (Leasehold land)         | 1                          | 1,358.76                           | 1,358.76                         | 100.0                 | 4  | 0.2                             |
| FS-7            | Konpira Maru Kasuga (Leasehold land)        | 1                          | 1,983.48                           | 1,983.48                         | 100.0                 | 6  | 0.3                             |
| FS-8            | One-Karubi Kasuga (Leasehold land)          | 1                          | 1,983.48                           | 1,983.48                         | 100.0                 | 6  | 0.3                             |
| FS-9            | Suke-san Kasuga (Leasehold land)            | 1                          | 3,126.16                           | 3,126.16                         | 100.0                 | 10   | 0.5                             |
| FS-10           | NAFCO Kasuga (Leasehold land)               | 1                          | 33,928.37                          | 33,928.37                        | 100.0                 | Not disclosed *5                                   | Not disclosed *5                |
| FS-11           | K's Denki Kasuga (Leasehold land)           | 1                          | 16,961.48                          | 16,961.48                        | 100.0                 | 37   | 1.9                             |

|      |   |     |            |            |       |                     |                     |
|------|---|-----|------------|------------|-------|---------------------|---------------------|
| OS-1 | K's Denki Kurashiki<br>(Leasehold land) | 1   | 11,433.38  | 11,433.38  | 100.0 | Not disclosed<br>*5 | Not disclosed<br>*5 |
|      | Total                                   | 280 | 315,985.29 | 314,496.21 | 99.5  | 1,910               | 100.0               |

Notes:

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

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

The Leasable Area for Pare Marche Nishiharu is based on the leased area in the completion drawing, etc. for certain lease contracts where the leased area is not stated. In addition, the Leased Area for assets for which a master lease agreement has been concluded is the total area that has actually been leased to end tenants with sublease agreements, etc., rounded to the second decimal place. Furthermore, the Leasable Area and Leased Area for tonarie Yamatotakada (ownership 50%) are based on the area in the completion drawing, etc.

The occupancy rate is given based on the data as of the end of the fiscal period. Although the Investment Corporation owns a 50% quasi-co-ownership interest in the trust beneficiary rights for tonarie Yamatotakada and tonarie Toga・Mikita, the above table shows the figures for the entire properties.

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

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

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

\*5 The figure is not disclosed because no consent to disclosure is obtained from tenants and other parties.

## (2) Capital expenditures

### ① Schedule of capital expenditures

There is no current plan of repair work applicable to the capital expenditure on the assets owned as of July 31, 2021.

### ② Capital expenditures during the period

There is no repair work applicable to the capital expenditure in current fiscal period on the assets owned as of July 31, 2021.