

January 10, 2020

To All Concerned Parties

Investment Corporation
ESCON JAPAN REIT Investment Corporation
Representative: Satoshi Omori, Executive Director
(Securities Code: 2971)

Asset Manager
ES-CON ASSET MANAGEMENT Ltd.
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Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units

ESCON JAPAN REIT Investment Corporation (hereinafter, “ESCON REIT”) announces that, at the meeting of the board of directors held on January 10, 2020, it has resolved to issue new investment units and conduct a secondary offering of investment units, as follows.

1. Issuance of new investment units through public offering (primary offering)

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|-----|---|--|
| (1) | Number of investment units to be offered | 43,792 units |
| (2) | Issue price (offer price) | To be determined
The price shall provisionally be calculated by multiplying the closing price of the investment units of ESCON REIT (hereinafter, the “Investment Units”) in a regular trading session at the Tokyo Stock Exchange, Inc. (hereinafter, the “TSE”) on any date between January 22, 2020 (Wednesday) and January 28, 2020 (Tuesday) (hereinafter, the “Pricing Date”) (if the closing price is not available on such date, the closing price on the immediately preceding date) from which the amount of forecast distributions of 3,690 yen is deducted by a factor of 0.90 to 1.00 (amounts less than one yen to be rounded down), in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities adopted by the Japan Securities Dealers Association, and then be determined at the meeting of the board of directors to be held on the Pricing Date. |
| (3) | Total issue price (total offer price) | To be determined |
| (4) | Amount to be paid in (issue amount) | To be determined
The amount shall be determined at the meeting of the board of directors to be held on the Pricing Date in accordance with the method stated in Article 25 of the Regulations Concerning Underwriting, etc. of Securities adopted by the Japan Securities Dealers Association. The amount to be paid in (issue amount) refers to the paid-in amount per investment unit to be received by ESCON REIT. |
| (5) | Total amount to be paid in (total issue amount) | To be determined |
| (6) | Offering method | The offering of the Investment Units shall be made through a primary offering and all the Investment Units for the primary offering shall be purchased and underwritten by a group of underwriters consisting of Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. and Mizuho Securities Co., Ltd. as joint lead managers |

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(together referred to as the “Joint Lead Managers”), SBI SECURITIES Co., Ltd., Daiwa Securities Co. Ltd., SMBC Nikko Securities Inc. and FFG Securities Co., Ltd. (collectively, referred to as the “Underwriters”).

- (7) Underwriting agreement The Underwriters shall pay the total amount to be paid in (total issue amount) to ESCON REIT on the payment date stated in (10) below. The difference between the total issue price (total offer price) and the total amount to be paid in (total issue amount) shall be proceeds of the Underwriters. No underwriting fee shall be paid to the Underwriters by ESCON REIT.
- (8) Subscription unit One unit or more in multiples of one unit
- (9) Subscription period From the business day immediately following the Pricing Date to the date two business days after the Pricing Date
- (10) Payment date February 3, 2020 (Monday)
- (11) Delivery date February 4, 2020 (Tuesday)
- (12) The issue price (offer price), the amount to be paid in (issue amount) and other matters necessary for this primary offering will be determined at the meeting of the board of directors of ESCON REIT.
- (13) The foregoing items are subject to the effectiveness of the Security Registration Statement to be filed under the Financial Instruments and Exchange Act.

2. Secondary offering of the Investment Units (secondary offering through over-allotment)

(Please refer to <Reference>1 below)

- (1) Number of investment units to be offered 2,190 units
The above-mentioned number indicates the maximum number of investment units to be offered through the secondary offering by way of over-allotment. There may be cases where this number is reduced or the secondary offering through over-allotment itself is not conducted, depending on demand for the primary offering and other factors. The number of investment units to be offered through the secondary offering shall be determined at the meeting of the board of directors of ESCON REIT to be held on the Pricing Date, considering the demand conditions of the primary offering and other factors
- (2) Seller Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- (3) Offer price To be determined
The secondary offering price shall be determined on the Pricing Date and shall be the same as the issue price (offer price) for the primary offering.
- (4) Total offer price for the secondary offering To be determined
- (5) Offering method In consideration of the demand for the primary offering and other factors, Mitsubishi UJF Morgan Stanley Securities Co., Ltd., the administrative lead manager of the primary offering, shall make a secondary offering for the Investment Units of up to 2,190 units, which shall be borrowed from ES-CON JAPAN Ltd. (hereinafter, the “Designated Party”), a unitholder of ESCON REIT.
- (6) Subscription unit One unit or more in multiples of one unit
- (7) Subscription period Same as the subscription period for the primary offering
- (8) Delivery date Same as the delivery date for the primary offering
- (9) If the primary offering is canceled, the secondary offering through over-allotment shall also be canceled
- (10) The secondary offering price and other matters necessary for the secondary offering through over-allotment shall be determined at the meeting of the board of directors of ESCON REIT

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- (11) The foregoing items are subject to the effectiveness of the Security Registration Statement to be filed under the Financial Instruments and Exchange Act

3. Issuance of new investment units through third-party allotment (Please refer to <Reference>1. below.)

- (1) Number of investment units to be offered 2,190 units
- (2) Amount to be paid in (Issue amount) To be determined
The amount to be paid in (issue amount) shall be determined at the meeting of the board of directors of ESCON REIT to be held on the Pricing Date and shall be the same as the amount to be paid in (issue amount) for the primary offering.
- (3) Total amount to be paid in (Total issue amount) To be determined
- (4) Allottees Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
- (5) Subscription unit One unit or more in multiples of one unit
- (6) Subscription period (Subscription date) February 25, 2020 (Tuesday)
- (7) Payment date February 26, 2020 (Wednesday)
- (8) Issuance of new investment units with no application for subscription on or before the subscription period (subscription date) described in (6) above shall be cancelled
- (9) If the primary offering is canceled, the issuance of new investment units through third-party allotment shall also be canceled
- (10) The amount to be paid in (issue amount) and other matters necessary for the issuance of new investment units through third-party allotment shall be determined at the meeting of the board of directors of ESCON REIT
- (11) The foregoing items are subject to the effectiveness of the Security Registration Statement to be filed under the Financial Instruments and Exchange Act

<Reference>

1. Secondary offering through over-allotment, etc.

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd, the administrative lead manager of the primary offering, may conduct a secondary offering through over-allotment for the Investment Units of up to 2,190 units, which shall be borrowed by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. from the Designated Party, after considering the demand for the primary offering and other factors. The number of investment units to be offered in the secondary offering through over-allotment is planned to be 2,190 units at a maximum. The number of investment units to be offered may decrease or the secondary offering through over-allotment itself may not take place at all, depending on the demand for the primary offering and other factors.

In order for Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. to acquire the Investment Units necessary to return the Investment Units borrowed from the Designated Party (hereinafter, the “Borrowed Investment Units”) for the secondary offering through over-allotment, ESCON REIT has resolved at its meeting of the board of directors held on January 10, 2020 (Friday) to issue 2,190 units of new Investment Units through a third-party allotment to Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. with the payment date on February 26, 2020 (Wednesday) (hereinafter, the “Third-Party Allotment”).

For the purpose of returning the Borrowed Investment Units, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. may also purchase the Investment Units up to the number of units for the secondary offering through over-allotment at the TSE (the “Syndicated Cover Transaction”) during the period from the day following the close of the subscription period for the primary offering and the secondary offering through over-allotment to February 19, 2020 (Wednesday) (hereinafter, the “Syndicated Cover Transaction Period”). All of the Investment Units purchased by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. through the Syndicated Cover Transaction shall be used to return the Borrowed Investment Units. There may be cases in which Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. does not conduct the Syndicated Cover Transaction at all or ends the Syndicated Cover Transaction with the number

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of Investment Units that is smaller than the number of the Investment Units offered through the secondary offering by way of over-allotment, at its sole discretion during the Syndicated Cover Transaction Period.

Moreover, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. may conduct stabilizing transactions in connection with the primary offering and the secondary offering through over-allotment. The Investment Units purchased through such stabilizing transactions may be used, in whole or in part, to return the Borrowed Investment Units.

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. intends to agree to the Third-Party Allotment to acquire the Investment Units for the number of the Investment Units obtained by subtracting the number of Investment Units that are purchased through the stabilizing transactions and the Syndicated Cover Transaction and used to return the Borrowed Investment Units from the number of the Investment Units for the secondary offering through over-allotment. As a result, there may be cases in which there will be no subscription to the Investment Units offered through the Third-Party Allotment in whole or in part, and accordingly the final number of the Investment Units issued through the Third-Party Allotment will decrease to that extent (the number of the Investment Units that are purchased through the stabilizing transactions and the Syndicated Cover Transaction and used to return the Borrowed Investment Units) due to forfeiture of rights, or such issuance itself will not take place at all.

Whether or not the secondary offering through over-allotment will be conducted, and the number of units to be sold in the case where the secondary offering through over-allotment is conducted, will be determined on the Pricing Date. In the case where the secondary offering through over-allotment is not conducted, the above-mentioned borrowing of investment units by Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. from the Designated Party will not be conducted. Therefore, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. will not accept and will not subscribe for the Third-Party Allotment, and the issuance of investment units through the Third-Party Allotment itself will not be conducted at all. In addition, the syndicate covering transactions on the TSE will not be conducted.

Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. shall conduct the transactions described above upon consultation with Mizuho Securities Co., Ltd., the Joint Lead Manager.

2. Changes in the number of Investment units issued and outstanding after these issuances of new investment units

Number of Investment Units issued and outstanding at present	237,000 units
Number of new Investment Units to be issued through the public offering	43,792 units
Total number of Investment Units issued and outstanding after the issuance of new Investment Units through the public offering	280,792 units
Number of new Investment Units to be issued through the Third-Party Allotment	2,190 units*
Total number of Investment Units issued and outstanding after the Third-Party Allotment	282,982 units*

* The number is based on the assumption that Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. subscribes to all the Investment Units to be issued through the Third-Party Allotment and all such units are issued

3. Purpose of and reason for the issuance

Having considered the market trend and the level of distribution per unit, ESCON REIT has decided to issue new investment units for the purpose of improving earnings potential of the portfolio through acquisition of new specified assets (as defined in Article 2, paragraph 1 of Act on Investment Trusts and Investment Corporations; the same hereinafter) and further reinforcing / stabilizing the financial base.

4. Total amount to be procured, use of proceeds and scheduled timing of expenditure

(1) Total amount to be procured (approximate net proceeds of ESCON REIT)

5,273,000,000 yen (Maximum)

* The above-mentioned amount represents the sum of the net proceeds from the primary offering of 5,022,000,000 yen and the maximum net proceeds from the Third-party Allotment of 251,000,000 yen. The amount is an estimate calculated based on the closing price of the Investment Unit in a regular trading session at the TSE on December 20, 2019 (Friday).

(2) Use of proceeds and scheduled timing of expenditure

The net proceeds from the primary offering of 5,022,000,000 yen are planned to be used as a part of the funds for the acquisition of specified assets described in the "Notice Concerning Acquisition and Leasing of Real Estate

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Trust Beneficial Interests in Japan” separately announced today. Additionally, the maximum proceeds from the issuance of new Investment Units through the Third-Party Allotment of 251,000,000 yen will be used for the acquisition of specified assets in the future or the repayment of borrowings.

5. Designation of allottees

The Underwriters plan to allocate 2,190 units out of the Investment Units to be issued through the primary offering to the Designated Party. The Designated Party is a unitholder of ESCON REIT and the parent company of ES-CON ASSET MANAGEMENT Ltd., the asset manager of ESCON REIT.

6. Future outlook

Please refer to the “Notice Concerning Revision of Earnings Performance and Distributions Forecasts for the Fiscal Period Ending July 31, 2020 and Earnings Performance and Distributions Forecasts for the Fiscal Period Ending January 31, 2021” separately announced today.

7. Operating performance and equity financings made for the most recent three fiscal periods

(1) Operating performance for the most recent three fiscal periods*¹

	FP ended April 2018	FP ended January 2019	FP ended July 2019
Net income per unit* ²	3,853 yen	5,402 yen	2,976 yen
Distributions per unit	3,301 yen	5,422 yen	2,835 yen
Of which, distributions of earnings per unit	3,301 yen	5,422 yen	2,835 yen
Of which, distributions in excess of earnings per unit	-	-	-
Actual payout ratio* ³	98.7%	100.4%	100.1%
Net assets per unit* ⁴	98,345 yen	100,446 yen	99,636 yen

Notes

* 1 ESCON REIT changed its fiscal period closing dates from April 30 and October 31 to January 31 and July 31 in accordance with the resolution at the 4th General Meeting of Unitholders held on October 30, 2018. As a result, the fiscal period ended January 2019 was an irregular accounting period of nine months from May 1, 2018 to January 31, 2019.

* 2 “Net income per unit” is calculated by dividing net income by the daily weighted average number of investment units outstanding (FP ended April 2018: 42,243 units, FP ended January 2019: 48,649 units, FP ended July 2019: 225,553 units).

* 3 “Actual payout ratio” is calculated by using the following formula:

Distributions per unit (excluding distributions in excess of earnings) / net income per unit * 100

However, the actual payout ratios for the FP ended April 2018 and the FP ended July 2019 were calculated by using the following formula because the number of investment units was changed during these periods due to equity financings:

Total amount of distributions (excluding distributions in excess of earnings) / net income * 100

* 4 “Net assets per unit” is calculated by using the following formula:

Net assets / total number of investment units issued and outstanding

(2) Prices of the Investment Units

① Investment unit prices for the most recent three fiscal periods*

	FP ended July 2019
Open	97,200 yen
High	112,300 yen
Low	96,000 yen
Close	110,800 yen

* ESCON REIT was listed on the Real Estate Investment Trust Market of the TSE on February 13, 2019. There is no applicable data on the investment unit prices for the fiscal periods prior to the date of listing.

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② Investment unit prices for the most recent six months

	2019 August	September	October	November	December	2020 January*
Open	110,900 yen	114,600 yen	122,000 yen	132,600 yen	127,400 yen	131,000 yen
High	118,100 yen	122,300 yen	134,400 yen	132,900 yen	132,000 yen	132,100 yen
Low	110,700 yen	114,500 yen	121,800 yen	117,500 yen	123,500 yen	128,500 yen
Close	114,700 yen	121,900 yen	132,200 yen	126,900 yen	131,100 yen	130,600 yen

* The investment unit prices for January 2020 are the prices as of January 9, 2020.

③ Investment unit prices on the business day immediately preceding the date of the issuance resolution

	January 9, 2020
Open	129,800 yen
High	130,600 yen
Low	129,200 yen
Close	130,600 yen

(3) Equity financings made in the most recent three fiscal periods

① Private placement

Issue date	December 1, 2017
Procured amount	3,671,655,000 yen
Paid-in amount (Issue amount)	95,000 yen
Number of investment units issued and outstanding before the private placement	10,000 units
Number of investment units issued through the private placement	38,649 units
Total number of investment units after the private placement	48,649 units
Initially planned use of proceeds at the time of issuance	Proceeds were planned to be fully used as a part of the funds for the acquisition of specified assets
Scheduled timing of expenditure at the time of issuance	December 2017
Status of allocation to date	The proceeds were fully allocated at the initially scheduled timing of expenditure

② Public offering

Issue date	February 12, 2019
Procured amount	18,319,583,313 yen
Paid-in amount (Issue amount)	97,263yen
Number of investment units issued and outstanding before the public offering	48,649 units
Number of investment units issued through the public offering	188,351 units
Total number of investment units after the public offering	237,000 units
Initially planned use of proceeds at the time of issuance	Proceeds were planned to be fully used as a part of the funds for the acquisition of specified assets

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Scheduled timing of expenditure at the time of issuance	February 2019
Status of allocation to date	The proceeds were fully allocated at the initially scheduled timing of expenditure

8. Lock-up

- (1) In connection with the primary offering, the Joint Lead Managers plan to request the Designated Party to agree with them to the effect that, without a prior written consent of the Joint Lead Managers, no sale, etc. of the Investment Units shall be made during the period from the Pricing Date to the 180th day after the offering's delivery date (provided that this shall exclude lending, etc. of the Investment Units for the secondary offering through over-allotment).

In the event of the above, the Joint Lead Managers shall have the authority to cancel the agreement in part or in whole at their discretion.

- (2) In connection with the primary offering, ES-CON LIVING SERVICE Ltd. has reached an agreement with the Joint Lead Managers to the effect that, without a prior written consent of the Joint Lead Managers, no sale, etc. of the Investment Units shall be made during the period from the Pricing Date to the 180th day after the offering's delivery date.

In the event of the above, the Joint Lead Managers shall have the authority to cancel the agreement in part or in whole at their discretion.

- (3) In connection with the primary offering, ESCON REIT has reached an agreement with the Joint Lead Managers to the effect that, without a prior written consent of the Joint Lead Managers, no issuance etc. of the Investment Units shall be made during the period from the Pricing Date to the 90th day after the offering's delivery date (provided that, this shall exclude issuance of new Investment Units to be made associated with the primary offering, the Third-party Allotment and split of investment units)

In the event of the above, the Joint Lead Managers shall have the authority to cancel the agreement in part or in whole at their discretion.

- * Translation for reference purpose only. ESCON REIT has not published an English version of its Securities Registration Statement.

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