

May 31, 2024

Supplementary Material for Timely Disclosure Released on May 31, 2024 (1)

- Notice Concerning Acquisition and Transfer (Asset Replacement) of Domestic Real Estate Trust Beneficial Interests
- Notice Concerning Issuance of New Investment Units Through Third-Party Allotment



ES CON JAPAN REIT Investment Corporation

Securities Code: 2971

<https://www.escon-reit.jp/en/>

Portfolio Improvement and Expansion by Asset Replacement

Pursue the acquisition and transfer of properties as part of our efforts in the 2nd Phase (from FY7/24 to FY1/25) of ESCON REIT's Roadmap (the acquisition of the three properties and the transfer of another three properties, collectively, the "Transactions")

Improvement and expansion
of Portfolio
through the Transactions

- Avoid the risk of adverse impact on ESCON REIT's financial condition and operating results pertaining to *Yoshizuya Y Store Nishiharu*, in which an impairment loss would have to be recorded in the future
- Secure the source of distributions to cover the loss from the transfer of *Yoshizuya Y Store Nishiharu* by simultaneously disposing of *LIFE Daisen (leasehold land)*, which had unrealized profits, and the adjacent *TSUTAYA Sakai-minami (leasehold land)*
- Avoid risks by transferring of *TSUTAYA Sakai-minami (leasehold land)*, which was at risk of a significant deterioration in cash flow due to the expiration of the fixed-term land lease agreement at the end of January 2026
- Acquire three new properties to cover the decrease in the balance of assets under management and the decrease in NOI after depreciation by transferring of the above three properties, thereby achieving the expansion of asset scale (JPY 70.3 billion in total) and improved profitability (5.0% in appraisal NOI yield)
- Incorporate a new asset type: "Assets aimed at creating a sustainable society"

Enhance Chubu Electric Power group's sponsor commitment through allotment of investment units

Add Chuden Real Estate Co., Inc. ("Chuden Real Estate") to ESCON REIT's major unitholders, leading to increased commitment from the Chubu Electric Power group

Fundraising through
Third-Party Allotment* and
allotment of investment units
to Chuden Real Estate

- Replace assets using proceeds, etc. from the Third-Party Allotment that does not require an increase in borrowings
- Chuden Real Estate will hold 8,700 investment units (2.4%) after the Third-Party Allotment.
→ 25,819 units (7.2%), including 16,894 units held by sponsor ES-CON JAPAN and 225 units held by ES-CON Living Service, a subsidiary of ES-CON JAPAN
- Rise in Same Boat stake will further align unitholders' interests with those of Chubu Electric Power group
→ Gain a stronger commitment to ESCON REIT from Chuden Real Estate, a member of the Chubu Electric Power group, thereby leading to increased credit strength

* See pages 14 and 15 of this material for notes on each page.

Vision

Aim to contribute to the revitalization of local communities and the development of social infrastructure through the expansion of our portfolio throughout Japan by investing in lifestyle-focused assets such as the “*tonarie*,” while targeting growth with continuous expansion of asset scale and stable improvement of distributions.

Roadmap

Continuous expansion of asset scale



- Completed or implemented
- Partially completed and ongoing
- Action item in the Transactions
- To be implemented

	1st Phase (from FY7/23 to FY1/24) Regaining the trust of Stakeholders	2nd Phase (from FY7/24 to FY1/25) Improvement of Portfolio and Growth Stage	3rd Phase (from FY7/25 to FY1/26) Stable growth stage
Strengthen governance system	<ul style="list-style-type: none"> ■ Implement the new governance system ■ Publicize the new management system 	<ul style="list-style-type: none"> ■ Maintain and improve the new governance system 	
External growth	<ul style="list-style-type: none"> ■ Develop property information channels unique to the AM ■ Investment policy changes 	<ul style="list-style-type: none"> ■ Expand pipeline for external growth ■ Set new asset types ■ Incorporate new asset types ■ Incorporate assets for solving social issues 	
Internal growth	<ul style="list-style-type: none"> ■ Survey and analyze facility user satisfaction ■ Consider branding strategy 	<ul style="list-style-type: none"> ■ Review portfolio and consider the property replacement ■ Review individual property management strategies ■ Measures to improve facility user satisfaction ■ Implement branding strategy 	
	<ul style="list-style-type: none"> ■ Implement measures to improve NOI (top-line increase, cost reduction) ■ Review existing contracts (lease, PM, BM, etc.) 		
Financial Strategy	<ul style="list-style-type: none"> ■ Review and strengthen IR activities 	<ul style="list-style-type: none"> ■ Fix interest rates and reduce interest costs ■ Expand lender formation ■ Strengthen financial base through PO ■ Consider issuance of investment corporation bonds ■ Improve issuer rating 	

New Investment Policy

- ESCON REIT aims to increase investment opportunities and build a portfolio that seeks stability and growth by change of “Use of investment assets,” “Investment area” and “Leasehold land and land-to-building investment ratio”
- Maintain stance of investing mainly in lifestyle-focused assets

	Present	Revised
Use of investment assets*1,2	<ul style="list-style-type: none"> • Commercial facilities: 80% or more • Others (Hotels, Logistics facilities*3): Less than 20% 	<ul style="list-style-type: none"> • Commercial facilities: 60% or more • Residences: 20% or less → Ensure portfolio stability and form local communities • Assets aimed at creating a sustainable society (Healthcare facilities*4, Educational Facilities, Hotels, logistics facilities, etc. to serve as bases in the event of a disaster): 20% or less → Pursue portfolio growth and help build a sustainable society
Investment area*1,2	<ul style="list-style-type: none"> • Four major metropolitan areas (Tokyo metropolitan area, Chukyo region, Kinki region, Fukuoka region): 75% or more • Other areas: Less than 25% 	<ul style="list-style-type: none"> • Focus on five major metropolitan areas (Hokkaido region, Tokyo metropolitan area, Chubu region, Kinki region, Kyushu region)*5 → Add Hokkaido and Kyushu regions where sponsor ES-CON JAPAN is actively developing • Abolish investment ratio for target investment regions → Plan to diversify investment regions
Leasehold land and land-and-building Investment ratio*2	<ul style="list-style-type: none"> • Leasehold land: approx. 50% • Land and buildings: approx. 50% 	<ul style="list-style-type: none"> • Abolish leasehold land and land-to-building investment ratio → Plan to expand investment opportunities. Continue investment in leasehold land

1. Portfolio Improvement and Expansion by Asset Replacement

(1) Transfer of Yoshizuya Y Store Nishiharu:

Avoid the risk that the recording of future impairment losses might adversely affect ESCON REIT's financial condition and operating results

(2) Transfer of TSUTAYA Sakai-minami (leasehold land) and LIFE Daisen (leasehold land):







Transfer of two properties with offers received at favorable terms that contribute to increased unitholder value

(3) Acquisition of three properties:

By transferring of (1) and (2), secure the source of distributions to cover the loss from the transfer of (1), and simultaneously plan to acquire the three properties using proceeds, etc. from the Third-Party Allotment. Potential to expand the asset scale and improve our portfolio

Summary of the Transactions

- Replace assets using proceeds, etc. from the Third-Party Allotment that does not require an increase in borrowing
- Of the required funds of approx. JPY 1.42 billion, approx. JPY 1.06 billion is to be provided from the Third-Party Allotment and approx. JPY 0.35 billion from cash on hand.

Cash inflow	Total Anticipated Transfer Price: JPY 8,300 mn + JPY 150 mn (consumption tax)						Proceeds, etc. through Third-Party Allotment JPY 1,066 mn	JPY 357 mn from cash on hand
	 <p>Yoshizuya Y Store Nishiharu (Kitanagoya-shi, Aichi)</p>	<p>Anticipated Transfer Price JPY 4,000 mn</p> <p>Gain (loss) on transfer^{*1} JPY -533 mn</p> <p>Asset transferred to ES-CON JAPAN Ltd.</p>	 <p>TSUTAYA Sakai-minami (Leasehold land) (Sakai-ku, Sakai-shi, Osaka)</p>	<p>Anticipated Transfer Price JPY 974 mn</p> <p>Gain (loss) on transfer^{*1} JPY 11 mn</p> <p>Asset transferred to ES-CON JAPAN Ltd.</p>	 <p>LIFE Daisen (Leasehold land) (Sakai-ku, Sakai-shi, Osaka)</p>	<p>Anticipated Transfer Price JPY 3,325 mn</p> <p>Gain (loss) on transfer^{*1} JPY 547 mn</p> <p>Asset transferred to ES-CON JAPAN Ltd.</p>		
Cash outflow	Total Anticipated Acquisition Price: JPY 9,058 mn + JPY 344 mn (consumption tax)						Asset transfer and acquisition costs Costs related to capital increases, etc. (including consumption tax) JPY 446 mn	Gain (loss) on transfer (Cash outflow at dividend) JPY 25 mn
	 <p>tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition) (Yamatotakada-shi, Nara)</p>	<p>Anticipated Acquisition Price JPY 4,058 mn</p> <p>Seller Chuden Real Estate Co., Inc.</p>	 <p>Hasekura Medical Building (Aoba-ku, Sendai-shi, Miyagi)</p>	<p>Anticipated Acquisition Price JPY 1,400 mn</p> <p>Seller LLC QOL-Bridge 2</p>	 <p>fab Minamiosawa (Hachioji-shi, Tokyo)</p>	<p>Anticipated Acquisition Price JPY 3,600 mn</p> <p>Seller Domestic corporation (undisclosed)^{*2}</p>		

Effects of the Transactions

● De-risking and portfolio improvement through this transfer

- (1) Avoid the risk of adverse impact on ESCON REIT's financial condition and operating results pertaining to *Yoshizuya Y Store Nishiharu*, in which an impairment loss would have to be recorded in the future
- (2) Avoid risks such as adverse impact on cash flow due to the termination of the fixed-term land lease agreements for *TSUTAYA Sakai-minami (leasehold land)* at the end of January 2026
- (3) As a result of fair competitive bidding, the gains from the transfer of *LIFE Daisen Store (leasehold land)* and the adjacent *TSUTAYA Sakai-minami (leasehold land)*, which had unrealized profits, have been maximized, and the source of distributions will be secured to fully offset the loss from the transfer of *TSUTAYA Sakai-minami (leasehold land)*
- (4) Successfully acquire planned assets that exceed the NOI of the assets being transferred of, thereby achieving portfolio improvement

● Improvement of Portfolio Profitability through the Transactions

	Before the Transactions (acquired asset)	Effects of the Transactions			After the Transactions
		(A) Asset to be transferred	(B) Asset to be acquired	(B) - (A)	
Asset under management (based on anticipated acquisition price*1)	JPY 69,604 mn	JPY 8,289 mn	JPY 9,058 mn	+ JPY 769 mn	JPY 70,373 mn
Appraisal value*2	JPY 72,780 mn	JPY 6,370 mn	JPY 9,855 mn	+ JPY 3,485 mn	JPY 76,265 mn
Appraisal NOI yield*3	4.8 %	3.5 %	4.9 %	—	5.0 %
Unrealized profit*4	JPY 3,309 mn	JPY -1,866 mn	JPY 542 mn	+ JPY 2,409 mn	JPY 5,718 mn
NOI after depreciation (annual)*5	JPY 2,952 mn	JPY 231 mn	JPY 330 mn	+ JPY 99 mn	JPY 3,052 mn

Summary of the Assets to be Acquired (1)

tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)

Commercial facilities Kinki region

- Making the asset, in which 50% of quasi co-ownership was already acquired from ES-CON JAPAN in February 2020, wholly owned through this acquisition by utilizing Chuden Real Estate's warehousing function
- A community-based commercial facility developed by ES-CON JAPAN in 2018
- Under the concept of “a multi-level park connected to the community,” the facility features wide terrace decks on several floors.

Anticipated acquisition price
JPY **4,058** mn

Appraisal value*1
JPY **4,065** mn

Appraisal NOI yield*2
4.9%

Seller
Chuden Real Estate Co., Inc.

Asset overview



Type of specified assets	Trust beneficiary rights to real estate
Location	3-18, Saiwaicho, Yamatotakadashi, Nara
Site area	17,740.17 m ²
Total floor area	Commercial building: 19,609.54 m ² Parking building: 11,297.07 m ²
Completion date	October 2018
Tenants	66
Structure/number of floors	Commercial building: Alloy-plated steel sheet-roofed, steel-framed flat building with three stories Parking building: Flat-roofed steel-framed structure with four stories
Information source	Sponsor
Appraiser	JLL Morii Valuation & Advisory K.K.

Location advantages

- The city of Yamatotakada has the highest population density in Nara Prefecture. Slightly higher for the 20-29 age group in this 3-km commercial area and higher for the 45-59 age group in the 1-km and 2-km commercial areas, compared with the prefectural average.*3
- Directly connected to Yamato-Takada Station on the Kintetsu Osaka Line (13,796 passengers enter and exit per day as of November 8, 2022) via a pedestrian walkway, about a 3-minute walk from Takada Station on the JR Wakayama Line, with a highly competitive location as a commercial facility. A major road (Prefectural Route 5) passes north-south through the commercial area on the west side of the facility, close to an east-west arterial road, and a parking lot with a total capacity of 539 vehicles, allowing the facility to be easily accessed by car.

Tenant features

- LIFE, the core supermarket, offers a competitive assortment of fresh meat, fish, produce and delicatessen items, with a solid selection of mostly best-sellers and regular items in the grocery and other sections. Bargain items are available throughout the store and the four original brands, including Smile Life, have certain price appeal.
- In addition to the food supermarket, the facility features several well-known category killers (Akachan Honpo, Mos Burger, Matsumotokiyoshi, Daiso, etc.), and low-priced everyday clothing stores are concentrated in the fashion category.
- In the service category, in addition to a clinic mall and other lifestyle tenants, English language schools and other cultural tenants, as well as a gym and other health-related tenants meet the diverse needs of the surrounding community.

Hasekura Medical Building

Assets aimed at creating a sustainable society

Other area

- ESCON REIT's first acquisition of “assets aimed at creating a sustainable society”
- First investment in Sendai-shi, the “City of Trees,” a core city in the Tohoku region

Asset overview



Anticipated acquisition price JPY 1,400 mn	Appraisal value*1 JPY 1,480 mn
Appraisal NOI yield*2 4.8%	Seller LLC QOL-Bridge 2

Type of specified assets	Trust beneficiary rights to real estate
Location	1-31 Hasekuracho, Aoba-ku, Sendai-shi, Miyagi
Site area	922.12 m ²
Total floor area	2,826.03 m ²
Completion date	March 2013
Tenants	6
Structure/number of floors	Flat-roofed steel-framed structure with six stories
Information source	Information directly from the seller
Appraiser	Japan Real Estate Institute

Location advantages

- Located along Nishi Koen Dori, a 12-minute walk from Kotodai-koen Station and a 1-minute walk from Shimin Kaikan Mae bus stop, with easy access by public transportation and car.
- A nighttime population of 12,000 in the primary medical care area*3 and 31,000 in the secondary medical care area*3 meets the criteria for a suitable location for a medical mall (i.e.10,000 or more and 30,000 or more in the primary and secondary medical care areas, respectively), with an expectation of reasonable demand.
- The age group within the medical care area is characterized by relatively young singles and families in their 20s to 40s, and the tenant mix of the subject facilities matches the demographics of the residents in the surrounding area.
- Tohoku University Hospital and Sendai Kosei Hospital within the medical care area, where tenants' needs are met by the independent practice of doctors at these hospitals, and where synergy effects can be achieved through medical cooperation, etc.
- Facing a relatively wide road, excellent accessibility and visibility to the facility

Tenant features

- The current tenant mix includes dispensing pharmacy, day care center, obstetrics and gynecology, dentistry, and pediatrics.
- The size and specifications of each floor are standard for a medical mall, which can attract tenants with a broad range of medical specialties. The specifications can also meet the needs of mid-sized clinic tenants, adding versatility to the property.

Summary of the Assets to be Acquired (3)

fab Minamiosawa

Commercial facilities

Tokyo metropolitan area

- ESCON REIT's first commercial facility in front of a train station in Tokyo
- Acquisition at purchase price, approx. 20% below the appraisal value
- Has further potential to attract customers along with the extension of the Tama Monorail, redevelopment projects in the surrounding area, and other plans

Asset overview



Anticipated acquisition price
JPY 3,600 mn

Appraisal value*1
JPY 4,310 mn

Appraisal NOI yield*2
4.9%

Seller
Domestic corporation

Type of specified assets	Trust beneficiary rights to real estate
Location	2-3 Minamiosawa, Hachioji-shi, Tokyo
Site area	2,727.54㎡
Total floor area	9,140.30㎡
Completion date	December 2001
Tenants	12
Structure/number of floors	Flat-roofed steel-framed structure with seven stories
Information source	Major brokerage firm*3
Appraiser	Daiwa Real Estate Appraisal Co.,Ltd.

Location advantages

- The pedestrian deck connects the 3rd floor with the ticket gate level of Minami-Osawa Station on the Keio Sagami-hara Line, providing a high level of convenience for users of the station and surrounding facilities.
- Approx. 53,000 passengers enter and exit the Minami-Osawa Station per day (FY2022). The Minami-Osawa Campus of Tokyo Metropolitan University is located on the north side of the property, giving the property a college town character.
- Hachioji-shi, home to the property, designated as Tokyo's first core city in April 2015, is the largest city in the Tama area, with the largest population of any municipality in Tokyo. The commercial area within 5 km of the core city has a population of 470,000 in 2022 statistics, an increase of 101.3% from 2015. Residential areas, mainly single-family homes, are spread throughout the surrounding area, with many family households.
- The station area is also accessible by car, with well-maintained roads such as Tama Newtown Road. The facility has potential to attract more visitors from distant areas in the future, along with the development of Minami Tama Ridge Trunk Road, extension of the Tama Monorail to Hachioji, including Minami Osawa Station, and other plans.
- Mitsui Outlet Park Tama Minami-Osawa, which is scheduled to close, may have similar synergistic effects if its successor, which is under selection, becomes a purpose-built facility. In addition, a bold redevelopment plan is underway on the north side of Minami-Osawa Station following the closure of the outlet park, and the area around the facility is located within the Priority Improvement District.

Tenant features

- The facility consists of a cinema complex “TOHO CINEMAS Minami Osawa” as a key tenant, with other tenants including restaurants, services, and amusement facilities.
- The cinema complex has been able to maintain relatively strong sales due to the strength of Japanese films in Japan, except during the COVID-19 pandemic.

Status of the Portfolio after the Transactions (1)

Property No.	Property name	Location	Tenants ※1	Occupancy rate (%) ※2	(Anticipated) acquisition price (JPY million) ※3	Appraisal value (JPY million) ※4	Appraisal NOI yield (%) ※5
11201	YAMADA DENKI Tecc Land Sapporo Shiroishi (Leasehold land)	Sapporo-shi, Hokkaido	1	100.0	1,300	1,330	4.4
13101	Asumigaoka Brand-New Mall*6	Chiba-shi, Chiba	28	87.8	3,200	(i)143 (ii)150	5.9
	Asumigaoka Brand-New Mall (Leasehold land) *7		2	100.0			
13102	Nishi-shiroi Ekimae Plaza	Shiroi-shi, Chiba	4	100.0	451	470	5.8
13201	K's Denki Oyumino (Leasehold land)	Chiba-shi, Chiba	1	100.0	2,710	2,890	4.7
13202	Nitori Tsuchiura (Leasehold land)	Tsuchiura-shi, Ibaraki	1	100.0	999	1,100	5.4
13203	Nitori Imaichi (Leasehold land)	Nikko-shi, Tochigi	1	100.0	363	410	6.0
15201	MaxValu Kikyogaoka-higashi (Leasehold land)	Nabari-shi, Mie	1	100.0	477	542	6.1
16101	tonarie Minami-senri	Suita-shi, Osaka	45	98.4	7,200	8,170	5.6
16102	tonarie Seiwadai	Kawanishi-shi, Hyogo	32	100.0	3,290	3,350	5.4
16103	tonarie Yamatotakada (50% quasi co-ownership) ※8	Yamatotakada-shi, Nara	66	100.0	4,150	3,985	4.8
16104	tonarie Toga ・ Mikita	Sakai-shi, Osaka	31	100.0	6,986	6,970	4.8
16201	LAMU Kitatsumori (Leasehold land)	Osaka-shi, Osaka	1	100.0	1,270	1,480	4.9
16202	K's Denki Nishikobe (Leasehold land)	Kobe-shi, Hyogo	1	100.0	2,133	2,470	5.3
16203	Sanyo Marunaka Mitani (Leasehold land)	Kobe-shi, Hyogo	1	100.0	1,430	1,540	4.4
16206	TRIAL Omihachiman (Leasehold land)	Omihachiman-shi, Shiga	1	100.0	1,010	1,110	4.4
16207	Kusuri no Aoki Ikaruga (Leasehold land)*9	Ikoma-gun, Nara	2	100.0	711	(i)702 (ii)29	5.3
16208	DRUG Yutaka Mukokamiueno (Leasehold land)	Muko-shi, Kyoto	1	100.0	460	477	4.5
16209	WELCIA Amagasaki Mukomotomachi (Leasehold land)	Amagasaki-shi, Hyogo	1	100.0	565	577	4.2
16210	Cocokara Fine Neyagawakoen (Leasehold land)	Neyagawa-shi, Osaka	1	100.0	702	719	4.3
16211	ENEOS Ikawadani SS (Leasehold land)	Kobe-shi, Hyogo	1	100.0	530	531	4.7

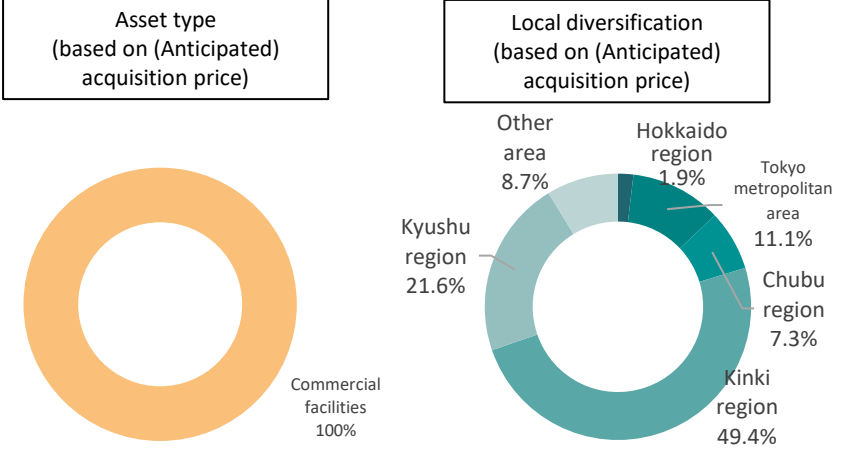
Property No.	Property name	Location	Tenants ※1	Occupancy rate (%) ※2	(Anticipated) acquisition price (JPY million) ※3	Appraisal value (JPY million) ※4	Appraisal NOI yield (%) ※5	
16212	GEO Hikone Takamiya (Leasehold land)	Hikone-shi, Shiga	1	100.0	300	305	4.8	
18101	SUROY MALL Nagamine	Kumamoto-shi, Kumamoto	24	100.0	4,600	4,500	5.4	
18201	MrMAX Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	3,387	3,970	4.3	
18202	UNIQLO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	595	677	4.0	
18203	Avail.Shimamura Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	863	1,110	4.7	
18204	au-SoftBank Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	143	161	4.6	
18205	Kura Sushi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	261	306	4.7	
18206	docomo Shop Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	160	183	4.6	
18207	Konpira Maru Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	236	266	4.7	
18208	One-Karubi Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	236	266	4.7	
18209	Suke-san Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	401	421	4.4	
18210	NAFCO Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	2,631	3,480	4.4	
18211	K's Denki Kasuga (Leasehold land)	Kasuga-shi, Fukuoka	1	100.0	1,487	1,870	4.3	
19101	Fuji Grand Natalie	Hatsukaichi-shi, Hiroshima	1	100.0	3,950	4,100	5.2	
19201	K's Denki Kurashiki (Leasehold land)	Kurashiki-shi, Okayama	1	100.0	2,121	2,450	5.0	
Total			261	99.2	61,315	66,410	5.0	
Assets to be acquired	16103	tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition) *10	Yamatotakada-shi, Nara	66	100.0	4,058	4,065	4.9
	39101	Hasekura Medical Building	Sendai-shi, Miyagi	6	100.0	1,400	1,480	4.8
	13103	fab Minamiosawa	Hachioji-shi, Tokyo	12	92.5	3,600	4,310	4.9
Total			-	-	9,058	9,855	4.9	
Portfolio total *11			279	99.1	70,373	76,265	5.0	

Portfolio map

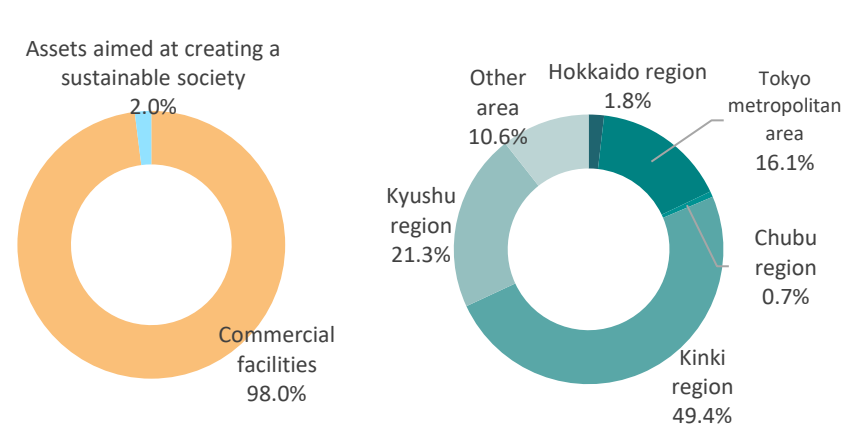


Asset types and target investment areas

Before the Transactions (as of January 31, 2024)



After the Transactions (as of June 28, 2024)



2. Enhancement of Chubu Electric Power Group's Sponsor Commitment through Allotment of Investment Units

Gaining a stronger commitment from Chubu Electric Power group

- 8,700 units (2.4%) of investment units held by Chuden Real Estate after the Third-Party Allotment, the 6th largest unitholder* of ESCON REIT
→ 25,819 units (7.2%), including 16,894 units held by sponsor ES-CON JAPAN, and 225 units held by ES-CON Living Service, a subsidiary of ES-CON JAPAN
- Rise in same boat stake will further align unitholders' interests with those of Chubu Electric Power group
→ Gain a stronger commitment to ESCON REIT from Chuden Real Estate, a member of the Chubu Electric Power group, thereby leading to increased credit strength

Significance of the Third-Party Allotment

- Reliably procuring needed funds at a reasonable issue price that is unaffected by fluctuations in the price of investment units
- Avoiding a decrease in the issue price linked to the investment unit price during the book-building period by setting the issue price at the closing price on the business day preceding the date of the issue resolution
- Avoiding the significant costs arising from a public offering

Summary of the Third-Party Allotment

- An additional JPY 1.42 billion is needed to fund the Transactions, after factoring in expenses and consumption tax related to the purchase and sale of the assets
- Approx. JPY 1.06 billion of needed amount is to be raised through the Third-Party Allotment, in order to maintain and secure as much cash on hand as possible by a means that does not require an increase in borrowings

Current total number of investment units issued	351,967
Increase in the number of investment units through the issue	8,700
Total number of investment units issued and outstanding after the issuance	360,667
Issue price	JPY 122,600 per unit (closing price on May 30, 2024)
Total issue price	JPY 1,066,620,000
Method of offering or allocation	Third-party allotment
Due date of payment	Tuesday, June 11, 2024
Allottee and number of units to be allotted	8,700 units to Chuden Real Estate Co., Inc.

Page 1

* “Third-Party Allotment” refers to the issuance of new investment units by way of third-party allotment to be conducted by ESCON REIT with Chuden Real Estate as the allottee, as decided at the ESCON REIT’s Board of Directors meeting held on May 31, 2024. The same applies below.

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* “ESCON REIT’s Roadmap” explains ESCON REIT’s management objectives of expanding the asset scale and various issues to be realized, as prepared by the asset management company, ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the “Asset Manager”). The management objectives and various issues to be realized are the objectives as of the date hereof and are not guarantees or promises that ESCON REIT’s asset scale will reach said objectives or the timeframe for achieving the various issues to be realized.

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*1 Includes leasehold land.

*2 Based on acquisition prices.

*3 Excludes residences, student dormitories, corporate employee housing and healthcare facilities*4.

*4 “Healthcare facilities” refers to serviced housing for the elderly set forth in Article 5 of the Act on Securement of Stable Supply of Elderly Persons’ Housing, paid nursing homes set forth in Article 29 of the Act on Social Welfare for the Elderly, or elderly group homes for those with dementia based on Paragraph 6 of Article 5-2 of the same law. Hospitals as defined in Paragraph 1 of Article 1-5 of the Medical Care Act are not included.

*5 Five major metropolitan areas include Hokkaido region, Tokyo metropolitan area, Chubu region, Kinki region, Kyushu region. Hokkaido region refers to Hokkaido; Tokyo metropolitan area refers to Tokyo, Kanagawa, Saitama, Chiba, Ibaraki, Tochigi and Gunma; Chubu region refers to Aichi, Shizuoka, Mie, Nagano and Gifu; Kinki region refers to Osaka, Kyoto, Hyogo, Nara and Shiga; Kyushu region refers to Fukuoka, Kumamoto, Kagoshima, Miyazaki, Oita, Saga, and Nagasaki.

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*1 “Gain (loss) on transfer” is a reference figure calculated as the difference between the anticipated transfer price, the book value on the planned transfer date, and costs related to transfer, and may differ from the actual gain (loss) on transfer. Amounts less than JPY 1 million are rounded down to the nearest million yen.

*2 The Seller of *fab Minamiosawa* is a domestic corporation, but as consent for disclosure has not been obtained, it is not stated. Such corporation does not come under the category of an interested party or the like, as defined in Article 201, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; the “Investment Trust Act”), nor does it fall under the definition of an interested party in the Interested-Party Transaction Rules of the Asset Manager. The same applies below.

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*1 “(Anticipated) acquisition price” does not include consumption tax, local consumption tax, or other costs or expenses required for acquisition.

*2 “Appraisal value” for the acquired asset and the asset to be transferred of is the appraisal value of the real estate appraisal report with January 31, 2024, as the date of value. Of the assets to be acquired, the unrealized profits for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, *Hasekura Medical Building*, and *fab Minamiosawa* indicate their appraisal value of real estate appraisal report with February 29, 2024, April 1, 2024, and March 31, 2024, as the date of value, respectively. Amounts of less than JPY 1 million are rounded down to the nearest million yen.

*3 “Appraisal NOI yield” for the asset acquired and the asset to be transferred of is the ratio of the net operating income in the 1st fiscal period to the acquisition price based on the DCF method as stated in the real estate appraisal report with January 31, 2024 as the date of value, rounded to the first decimal place, respectively. Of the unrealized profits of the assets to be acquired, those unrealized profits for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, *Hasekura Medical Building*, and *fab Minamiosawa* are the ratios of the net operating income in the 1st fiscal period to the anticipated acquisition prices based on the DCF method as stated in the real estate appraisal report with February 29, 2024, April 1, 2024, and March 31, 2024, as the date of value, respectively, rounded to the first decimal place. Since 50% of the quasi-co-ownership interest in the trust beneficiary right is to be acquired for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, the “appraisal NOI yield” was calculated by dividing one-half of the net operating income in the 1st fiscal period by the anticipated acquisition price calculated on the assumption of 100% ownership based on the DCF method, as stated in the real estate appraisal report.

*4 “Unrealized profits” for the acquired asset and asset to be transferred of is the difference between their appraisal values as of January 31, 2024 and the book values as of the end of the fiscal period. Of the unrealized profits of the assets to be acquired, those unrealized profits for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, *Hasekura Medical Building*, and *fab Minamiosawa* are the differences between their appraisal value of real estate appraisal report with February 29, 2024, April 1, 2024, and March 31, 2024, as the date of value, respectively, and their estimated book value as of July 31, 2024 after the acquisition. Amounts of less than JPY 1 million are rounded down to the nearest million yen.

*5 “NOI after depreciation (annual)” for the acquired asset and the asset to be transferred of is the sum of the actual value in FY1/24 and the forecast value in FY7/24, as announced in the Financial Report for the Fiscal Period Ended January 31, 2024 (REIT), dated March 15, 2024. The figures for the assets to be acquired are estimated values based on the economic velocity after FY7/25. Amounts of less than JPY 1 million are rounded down to the nearest million yen.

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*1 “Appraisal value” of *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)* indicates the appraisal value calculated by multiplying the trial value stated in the real estate appraisal report, which was calculated based on the assumption of 100% ownership, by 50% (the ratio of ownership), in light of the 50% quasi-co-ownership of the trust beneficiary right for the asset to be acquired. Amounts of less than JPY 1 million are rounded down to the nearest million yen. The same applies below.

*2 Since the 50% of the quasi-co-ownership interest in the trust beneficiary right is to be acquired for *tonarie Yamatotakada*, the “appraisal NOI yield” was calculated by dividing one-half of the net operating income in the 1st fiscal period by the anticipated acquisition price calculated on the assumption of 100% ownership based on the DCF method, as stated in the real estate appraisal report with February 29, 2024 as the date of value, rounded to the first decimal place.

*3 Figures are based on the 2022 census (Nara Prefecture’s official website, “2020 Census: Nara Prefecture Results”).

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- *1 "Appraisal value" indicates the appraisal value of the real estate appraisal report with April 1, 2024 as the date of value. Amounts of less than JPY 1 million are rounded down to the nearest million yen.
- *2 "Appraisal NOI yield" is the ratio of the net operating income in the 1st fiscal period to the anticipated acquisition price based on the DCF method as stated in the real estate appraisal report with April 1, 2024 as the date of value, rounded to the first decimal place.
- *3 "Primary medical care area" is defined as the area within a 500-meter radius of the facility, and "secondary medical care area" is defined as the area within a 1-kilometer radius of the facility.

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- *1 "Appraisal value" indicates the appraisal value of the real estate appraisal report with March 31, 2024 as the date of value. Amounts of less than JPY 1 million are rounded down to the nearest million yen.
- *2 "Appraisal NOI yield" is the ratio of the net operating income in the 1st fiscal period to the anticipated acquisition price based on the DCF method as stated in the real estate appraisal report with March 31, 2024 as the date of value, rounded to the first decimal place.
- *3 The intermediary for the acquisition of *fab Minamiosawa* is a domestic corporation, but as consent for disclosure has not been obtained, it is not stated. Such corporation does not come under the category of an interested party or the like, as defined in Article 201, Paragraph 1 of the Investment Trust Act, nor does it fall under the definition of an interested party in the Interested-Party Transaction Rules of the Asset Manager.

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- *1 The number of "tenants" indicates the total number of lease contracts for each acquired asset on January 31, 2024 and for each building (or for leasehold land, if the acquired asset or the asset to be acquired is leasehold land) among the assets to be acquired on April 30, 2024. When a master lease contract is entered into for each asset acquired or to be acquired, the total number of lease contracts with final tenants is indicated. However, for *Fuji Grand Natalie*, the number of the lease contract is shown because the lease contract for a single building was concluded with Fuji Co. Ltd.
- *2 "Occupancy rate" for the acquired assets was calculated based on data available on January 31, 2024 and April 30, 2024 for the assets to be acquired using the following formula, rounded to the first decimal place.
Occupancy rate: Leased area/Leasable area*100
- *3 "(Anticipated) acquisition price" indicates the purchase price of each trust beneficiary right specified in the purchase agreement for the acquired asset and the asset to be acquired, with amounts of less than one million yen rounded down to the nearest million yen.
Therefore, the total "(Anticipated) acquisition price" may not equal the overall total. The purchase price does not include consumption tax, local consumption tax, and other costs or expenses required for acquisition.
- *4 "Appraisal value" for the acquired asset and the asset to be transferred of is the appraisal value of the real estate appraisal report with January 31, 2024 as the date of value. Of the assets to be acquired, the unrealized profits for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, *Hasekura Medical Building*, and *fab Minamiosawa* indicate their appraisal value of real estate appraisal report with February 29, 2024, April 1, 2024, and March 31, 2024, as the date of value, respectively. Amounts of less than JPY 1 million are rounded down to the nearest million yen. Therefore, the total "appraisal value" may not equal the overall total.
- *5 "Appraisal NOI yield" for the asset acquired and asset to be transferred of is the ratio of the net operating income in the 1st fiscal period to the acquisition price based on the DCF method as stated in the real estate appraisal report with January 31, 2024 as the date of value, rounded to the first decimal place, respectively. Of the unrealized profits of the assets to be acquired, those unrealized profits for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, *Hasekura Medical Building*, and *fab Minamiosawa* are the ratios of the net operating income in the 1st fiscal period to the anticipated acquisition prices based on the DCF method as stated in the real estate appraisal report with February 29, 2024, April 1, 2024, and March 31, 2024, as the date of value, respectively, rounded to the first decimal place. Since 50% of the quasi-co-ownership interest in the trust beneficiary right is to be acquired for *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, the "appraisal NOI yield" was calculated by dividing one-half of the net operating income in the 1st fiscal period by the anticipated acquisition price calculated on the assumption of 100% ownership based on the DCF method, as stated in the real estate appraisal report.
- *6 "Appraisal value" of *Asumigaoka Brand-New Mall* does not include the portion of the building formerly held by Akindo Sushiro Co., Ltd. ("Akindo Sushiro"), which was acquired by ESCON REIT on April 30, 2024.
- *7 The fixed-term land lease right agreement for business use of *Asumigaoka Brand-New Mall (leasehold land)* was concluded with Akindo Sushiro and McDonald's Holdings Company (Japan), Ltd. ("McDonald's Japan"). "Value calculated at end of period" indicates the portion pertaining to Akindo Sushiro as (i) and the portion pertaining to McDonald's Japan as (ii). Of the buildings located on *Asumigaoka Brand New Mall (leasehold land)*, which was formerly held by Akindo Sushiro, ESCON REIT acquired the building for no consideration on April 30, 2024, whereby the termination of the business-use fixed-term land lease right agreement pertaining to the leasehold land portion of the building took effect on the same date.
- *8 The acquired asset, *tonarie Yamatotakada (50% quasi co-ownership)*, was appraised in light of the 50% quasi-co-ownership of the trust beneficiary right for the asset held, and the appraisal value, as stated in "appraisal value" of the real estate appraisal report with January 31, 2024 as the date of value, is not the 100% appraisal value of the subject real estate.
- *9 The fixed-term land lease right agreement for business use of *Kusuri no Aoki Ikaruga (leasehold land)* was entered into with the two leaseholders, Kusuri no Aoki Co., Ltd. ("Kusuri no Aoki") and Ikaritombo Co., Ltd. ("Ikaritombo"). Therefore, "(anticipated) acquisition price," "appraisal value," and "appraisal NOI yield" represent the sum of the amounts and figures for these two lessees. In addition, "appraisal value" indicates the portion pertaining to *Kusuri no Aoki* as (i) and the portion pertaining to *Ikaritombo* as (ii), respectively.
- *10 "Appraisal value" of *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)* indicates the appraisal value calculated by multiplying the trial value on the real estate appraisal report, which was calculated based on the assumption of 100% ownership, by 50% (the ratio of ownership), in light of the 50% quasi-co-ownership of the trust beneficiary right for the asset to be acquired.
- *11 The number of "tenants" and "occupancy rate" of *tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)*, which is an asset to be acquired, are not included in the total thereof because they overlap with the acquired assets.

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- * This is the status of unitholders assuming no change in the register of unitholders on January 31, 2024 and the implementation of the Third-Party Allotment, which is not necessarily the actual status of unitholders.

This document is supplementary explanatory material compiled from the information in the “Notice Concerning Issuance of New Investment Units through Third-Party Allotment” and “Notice Concerning Acquisition and Transfer (Asset Replacement) of Domestic Real Estate Trust Beneficial Interests” announced by ESCON REIT on May 31, 2024, in accordance with the Tokyo Stock Exchange Listing Regulations, as well as other related information. The information provided in this supplementary material does not constitute a disclosure document or an asset management report required under the Financial Instruments and Exchange Act of Japan, the Act on Investment Trusts and Investment Corporations, its related cabinet orders, cabinet office ordinances and regulations, or the Tokyo Stock Exchange Listing Regulations. In addition, this supplementary material was not prepared for the purpose of soliciting investments.

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Real estate investment trust securities issuer: ES CON JAPAN REIT Investment Corporation (Securities Code: 2971)

Asset Manager: ES-CON ASSET MANAGEMENT Ltd. (Financial instruments business operator: Kanto Local Finance Bureau Registration No. 2825, Member of The Investment Trusts Association, Japan)

