

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.
Representative: Satoshi Omori, President and Representative Director
Inquiries: Yuki Yoshida, Chief Financial Officer of the Finance
and Planning Department

TEL: +81-3-6230-9338

Notice Concerning Acquisition and Leasing of Real Estate Trust Beneficial Interests in Japan

ESCON JAPAN REIT Investment Corporation (hereinafter, “ESCON REIT”) announces that it has decided today to acquire beneficial interests in real estate in trust (hereinafter, “real estate trust beneficial interests”) in three properties below (hereinafter, the “Assets to be Acquired”) and to commence the leasing of these properties.

ES-CON JAPAN Ltd., which is a seller of the Assets to be Acquired, is deemed as an interested person under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended; hereinafter, the “Investment Trusts Act”). Therefore, ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the “Asset Manager”), an asset management company, has obtained consent from ESCON REIT based on the approval at the meeting of the board of directors of ESCON REIT held today, in compliance with the Investment Trusts Act. In addition, because ES-CON JAPAN Ltd. is deemed as an interested party provided for in the Regulations on Transactions with Interested Parties, which are self-imposed rules of the Asset Manager concerning countermeasures against conflicts of interest for conducting transactions with interested parties, the Asset Manager has followed the decision-making procedures provided for in the Regulations on Transactions with Interested Parties for conducting transactions to acquire assets with ES-CON JAPAN Ltd.

1. Overview of the acquisition

	Property name	Location	Anticipated Acquisition Price* (million yen)
Assets to be Acquired	tonarie Yamatotakada (ownership 50%)	Yamatotakada-shi, Nara	4,150
	tonarie Toga・Mikita (ownership 50%)	Sakai-shi, Osaka	3,490
	LIFE Daisen (leasehold land)	Sakai-shi, Osaka	2,733
	Total (3 properties, Assets to be Acquired)	-	10,373

* For “Anticipated Acquisition Price”, the sales price of each real estate trust beneficial interest stated in each sales agreement of real estate trust beneficial interest pertaining to the Assets to be Acquired is rounded off to the nearest million yen. Therefore, the total of the Anticipated Acquisition Prices may not be in conformity with the total acquisition price. The sales price does not include consumption tax, local consumption tax and expenses required for acquisition.

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|-----|-------------------------|--|
| (1) | Date of sales agreement | January 10, 2020 |
| (2) | Acquisition date | February 4, 2020 |
| (3) | Sellers | Refer to “3. Overview of Sellers” below |
| (4) | Funds for acquisition | Proceeds from the issuance of new investment units resolved at the meeting |

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of the board of directors of ESCON REIT held on January 10, 2020, loans*¹ and own funds

(5) Settlement method Payment of the entire amount at the time of delivery

Notes

* 1 For details of the issuance of new investment units and the loans, refer to the “Notice Concerning Issuance of New Investment Units and Secondary Offering of Investment Units” and “Notice Concerning Debt Financing”, which ESCON REIT announced today.

* For (1) through (5) above, the overview of the Assets to be Acquired is stated.

2. Details of the Assets to be Acquired

The table below shows the individual summary of the overview for each Asset to be Acquired (hereinafter, “Individual Property Table”). The terms used in the Individual Property Table are as follows. The situation as of October 31, 2019 is stated unless otherwise noted.

a. Explanation of “Overview of Specified Asset”

- “Type of Specified Asset” states the type of the Assets to be Acquired at the time of acquisition.
- “Anticipated Acquisition Date” states the dates scheduled for the acquisition of each of the Assets to be Acquired specified in the relevant sales agreements.
- “Anticipated Acquisition Price” states the sales price (not including consumption tax, local consumption tax and expenses such as sales commission, rounded off to the nearest million yen) of each real estate trust beneficial interest stated in the relevant sales agreements of the respective Assets to be Acquired.
- “Location” of land states the location of the building in the registration (if there is more than one location, one lot number among them).
- “Residence Indication” states the residence indication of each property. If the residence indication is not implemented, the location of the building in the registration (if there is more than one location, one lot number among them) is stated.
- “Area” of land is stated based on the description in the registration.
- “Use District” of land states the type of use districts set forth in Article 8, Paragraph 1, Item 1 of the City Planning Act (Act No. 100 of 1968, as amended; hereinafter, the “City Planning Act”).
- “Building Coverage Ratio” of land is the ratio of the building area to the site area as provided for in Article 53 of the Building Standards Act (Act No. 201 of 1950, as amended; hereinafter, the “Building Standards Act”), and the upper limit of the building coverage ratio determined in city planning according to use districts, etc. (designated building coverage ratio) is stated. The designated building coverage ratio may be eased or restricted on the grounds that the building is a fireproof building in a fire prevention district or other reasons and may differ from the actually applied building coverage ratio.
- “Floor-area ratio” of land is the ratio of the total floor-area of buildings to the site area as provided for in Article 52 of the Building Standards Act and the upper limit of the floor-area ratio determined in city planning according to use districts, etc. (designated floor-area ratio; if there is more than one designated floor-area ratio, all of them) is stated. The designated floor-area ratio may be eased or restricted for the reason that a road is connecting with the site or other reasons and may be different from the actually applied floor-area ratio.
- “Type of Ownership” of land and building states the type of rights owned (or to be owned) by the trustee.
- “Construction Period” of building states the date of new construction of each building in the registration. If the Assets to be Acquired is leasehold land, the construction period of the building existing on the leasehold land is stated. If there is more than one major building, the completion date of each building is stated.
- “Structure and the Number of Stories” of building is based on the description in the registration. If the Asset to be Acquired is leasehold land, the structure and the number of stories of the building existing on the leasehold land are stated.
- “Total Floor Area” of the building is stated based on the description in the registration. In addition, “Total Floor Area” is stated the total of floor areas of the major building and annex building. If there is more than

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one major building, the total of floor areas of the major buildings is stated. If the Assets to be Acquired is leasehold land, the total floor area of the building existing on the leasehold land is stated.

- “Use” states the use of the major building among those in the registration. If the Assets to be Acquired is leasehold land, the use of the building existing on the leasehold land is stated.
- “Master Lease Company”, “PM Company” and “Trustee” state the parties who become or will become the master lease company, the PM Company and the trustee of each of the Assets to be Acquired. “Type of Master Lease” states the type of the master lease contract or schedule of such type (pass-through type or fixed rent type) on the respective Assets to be Acquired.

b. Explanation of “Status of Leasing”

- In “Status of Leasing”, the details of an effective lease contract as of October 31, 2019, are stated for the Assets to be Acquired based on the figure and information provided by the current owner or the current trustee of the respective Assets to be Acquired, unless otherwise noted.
- “Name of Lessee” states the name of the lessees in the lease contracts of the building pertaining to the Assets to be Acquired (in the case of leasehold land, the name of the lessees of the leasehold land) as of October 31, 2019.
- For “Type of Contract / Number of Tenants”, if the Assets to be Acquired is leasehold land as of October 31, 2019, the type of contract based on the lease contract of the leasehold land is stated. If the Assets to be Acquired is not leasehold land, the total number of lease contracts specified in each lease contract pertaining to the building of the relevant Assets to be Acquired as of October 31, 2019, is stated. If a master lease contract is concluded or to be concluded for any of the Assets to be Acquired, the total number of lease contracts with end tenants is stated.
- “Rentable Area” states the area of the space that is considered to be rentable based on the lease contract or the drawings of the building (in the case of leasehold land, the leasehold land) pertaining to the Assets to be Acquired as of October 31, 2019.
- “Leased Area” states the area that is actually leased in the rentable area of the building (in the case of leasehold land, the leasehold land) pertaining to the Assets to be Acquired as of October 31, 2019.
- “Term of Contract” states the term of contract specified in the lease contract in which the lease has commenced as of October 31, 2019. The term of contract is the period from the commencement date to the expiration date of the lease prescribed in the contract, and it is different from the remaining period of lease as of the date of acquisition by ESCON REIT.
- “Occupancy Rate” is the percentage of rentable area made up of the leased area pertaining to the Assets to be Acquired as of October 31, 2019, and it is rounded to the nearest first decimal place.
- “Monthly Rent (including common charges)” is the total amount of monthly rent (including common charges) specified in the respective lease contracts as of October 31, 2019, and it is rounded off to the nearest million yen.
- For “Lease Deposit / Guarantee Deposit”, the total amount of outstanding balances of lease deposit and guarantee deposit specified in the respective lease contracts as of October 31, 2019 (if more than one lease is contracted, the total amount) is stated by rounding it off to the nearest million yen.
- “Rent Revision”, “Renewal” and “Termination” are stated based on the lease contract of the building (in the case of leasehold land, the leasehold land) pertaining to the Assets to be Acquired as of October 31, 2019.

c. Explanation of “Status of Fulfillment of Standards for Selecting Tenants”

- “Status of Fulfillment of Standards for Selecting Tenants” describes the details of judgment of ESCON REIT on the status of fulfillment of standards for selecting tenants by the parties who lease the properties from ESCON REIT or the trustee based on a lease contract which is effective as of October 31, 2019 that is stated in the section of the “Tenants” list in “Chapter 1. Information on the Fund / Section 1. Status of the Fund / 2 Investment Policy / (1) Investment Policy / 3). Investment Policy / (f) Individual Investment

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Standards / Investment Standards (Common)” in the securities report submitted on October 29, 2019.

d. Explanation of “Special Comment”

- “Special Comment” states any matters that are deemed important in terms of the rights to and the use of the Assets to be Acquired as of today, and any matters that are deemed important in consideration of the impact on the assessed value, profitability and disposability of the Assets to be Acquired.

e. Explanation of “Overview of Real Estate Appraisal Report”

- “Overview of Real Estate Appraisal Report” provides an outline of each real estate appraisal report prepared by the Asset Manager by entrusting the appraisal of the investment property to each real estate firm. Among the Assets to be Acquired, while tonarie Yamatotakada and tonarie Toga • Mikita will be acquired as quasi co-ownership with a 50% beneficial interest in the trust, “Overview of Real Estate Appraisal Report” indicates values of 100% of properties to be assessed. Each real estate appraisal represents the judgment and opinions of the appraiser at a certain point in time, and does not guarantee the reasonableness and accuracy of the details and the possibility of transaction at the appraisal value. The ratios in this section are stated by rounding off to the nearest first decimal place.

f. “Characteristics of Property”

- “Characteristics of Property” states the basic nature and characteristics of the Assets to be Acquired and the features of the location based on the description of market reports prepared by JLL Mall Management K.K, as well as data from administrative agencies. The reports represent the judgment and opinions at a certain point in time of the outside experts who have prepared them, and do not guarantee the reasonableness and accuracy of the details thereof. Environmental changes, etc. occurred after the report were prepared are not reflected.

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tonarie Yamatotakada (ownership 50%)			Property number	KT-3	Use	Commercial
Overview of Specified Asset						
Type of Specified Asset		Real estate trust beneficial interest	Anticipated Acquisition Date		February 4, 2020	
			Anticipated Acquisition Price		4,150 million yen	
Land	Location	3-1 Saiwaicho, Yamatotakada-shi, Nara and five other lots	Building	Construction Period	October 18, 2018	
	Residence Indication	3-18, Saiwaicho, Yamatotakada-shi, Nara				
	Area	17,740.17m ²		Structure and Number of Stories	(Commercial facility) Alloy-plated steel sheet-roofed, steel-framed flat building with three stories (Parking Building) Flat-roofed steel-framed structure with four stories	
	Use District	Commercial District				
	Building Coverage Ratio	80%		Use	(Commercial facility) shops (Parking building) parking lot	
	Floor-area Ratio	400%				
	Type of Ownership	Ownership				
Master Lease Company		ES-CON JAPAN Ltd.	Type of Maser Lease		Pass-through type	
PM Company		ES-CON PROPERTY Ltd.	Trustee		Mizuho Trust & Banking Co., Ltd.	
Status of Leasing						
Name of Lessee		LIFE CORPORATION / 63 other tenants* ¹	Total Leasable Area		14,505.67 m ²	
Type of Contract / Number of Tenants		Ordinary building lease contract / 2 Fixed-term building lease contract / 62	Total Leased Area		14,271.17 m ²	
Term of Contract		LIFE CORPORATION* ²	Monthly Rent (including common service charges)		LIFE CORPORATION* ² 38 million yen (entire facility)	
Occupancy Rate		98.4%* ³	Lease Deposit/ Guarantee Deposit		LIFE CORPORATION* ² 254 million yen (entire facility)	
Rent Revision		LIFE CORPORATION The lessor may revise rents, etc., if the current rent becomes unreasonable compared to the prevailing market price, if it is deemed necessary to revise the current rent due to price fluctuations or other changes in economic conditions, or if facilities and attached facilities are upgraded. Notwithstanding the preceding paragraph, rents may be revised with mutual agreement between the lessor and the lessee.				
Contract Renewal		LIFE CORPORATION If neither the lessor nor the lessee expresses any specific intention during the period from one year to six months prior to the expiration of the term, the lease contract shall be renewed for one year under the same terms and conditions.				
Termination		LIFE CORPORATION* ²				

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Status of Fulfillment of Standards for Selecting Tenants
ESCON REIT has determined that the lessee has fulfilled the standards for selecting tenants and has sufficient creditworthiness as a tenant as of the date hereof.
Special Comment
The trustee, ESCON REIT and Chuden Real Estate Co., Inc., the quasi-co-owners of the trust beneficiary right in which this property is the asset in trust exchanged a letter of agreement (the "Letter of Agreement between the Co-Owners"). In this Letter of Agreement between the Co-Owners, when either of the co-owners decides to transfer its co-ownership, they are to preferentially make an offer to the co-owner before other parties. Moreover, with the exception of certain important matters, in the event that a decision has to be made as the trust beneficiary in this property, ESCON REIT will make the decision based on its independent judgment. In addition, in the event that co-ownership interest in this property is returned from trustee to trust beneficiary in kind, claims on division of co-ownership parts shall not be made for five years from the effective return date, in accordance with Article 256 of the Civil Code.

Notes

* 1 The number of lease contracts between the main lessee and other end tenants is stated.

* 2 Information on terms is not disclosed since consent has not been obtained from the lessee.

* 3 Occupancy rate of the entire commercial facility is stated.

* The above table shows the figures for the entire property, while ESCON REIT plans to acquire a 50% quasi-co-ownership interest of the trust beneficiary interest in this property.

Characteristics of Property
<ul style="list-style-type: none"> • This property is located in Yamatotakada-shi, the midwestern part of Nara prefecture. The population of Yamatotakada-shi is 64,000 strong*¹ and has the highest population density in Nara prefecture. • Although the population of Yamatotakada-shi has decreased 4.3% from 2015 to 2019, the number of households has increased from 29,515 to 29,920 (up 1.4%) for 4 years. The development of a large-scale condominium (205 total units) is ongoing at the adjacent site south of this property led by the sponsor, ES-CON JAPAN Ltd. Given that this property will be directly connected to this new condominium, the catchment population surrounding this property is expected to increase once construction is completed in 2021. • This property is a neighborhood shopping center located within one minute walking distance via a pedestrian deck connected to Yamatotakada station on the Kintetsu Osaka Line. Also, it is within three minutes walking distance from Takada station on the JR Wakayama Line. This property is the only large-scale retailer within five minutes walking distance radius from Yamatotakada station on the Kintetsu Osaka Line. • This property has good road access as it is conveniently located near two major roads; Kendo-5 which runs along the west side of this property bisecting this property's catchment area north-south direction, and an arterial road that connects east and west-bound traffic. Given such access routes from all directions, this property is in a superb location and the actual catchment area covers a wide range of visitors using automobiles spanning over a 3-kilometer radius. In order to accommodate such visitor traffic, this property has a parking lot with the capacity to fit 539 cars. • One of the core tenants is "LIFE", a leading supermarket chain that attracts a steady flow of visitors to the facility. The LIFE tonarie Yamatotakada store is a relocated and renovated store of the former LIFE Yamatotakada store that was in operation since 2005. Other tenants include fresh produce (vegetables, fruits, meat, fish products) vendors, bakeries and other food stores offering a large variety of foods compared to a stand-alone supermarket. • LIFE CORPORATION*², a Tokyo Stock Exchange 1st Section listed company, is the operator of the LIFE supermarket chain. LIFE CORPORATION has a nationwide network of supermarkets and is the leading chain in Japan. As at the fiscal year ended February 28, 2019, its operating revenue was 698.6 billion yen (consolidated basis), and the company retains 10 billion yen in capital (non-consolidated), has 27,512 employees (consolidated basis including part-time workers), and operates 270 branches (consolidated basis). • Apart from food product vendors, this property is occupied by a variety of well-known tenants such as "Matsumoto-Kiyoshi" and "Daiso" as well as non-expensive clothing category killers such as "Nishimatsuya" and "ABC-MART". Other tenants include service providers such as clinics and daycare centers as well as cram schools and yoga & fitness centers among many other businesses that are deeply rooted in the daily lives of communities providing a variety of cultural exchange or healthcare services that meet a wide range of visitor needs.

Notes

* 1 Based on the 2015 National Census (Nara Prefecture homepage, "National Census Results for Nara Prefecture")

* 2 The description of LIFE CORPORATION is based on its annual securities report for the fiscal year ended February 28, 2019.

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tonarie Toga ・ Mikita (ownership 50%)			Property number	KT-4	Use	Commercial
Overview of Specified Asset						
Type of Specified Asset		Real estate trust beneficial interest	Anticipated Acquisition Date		February 4, 2020	
			Anticipated Acquisition Price		3,490 million yen	
Land	Location	2-2-1 Harayamadai Minami-ku, Sakai-shi, Osaka and three other lots	Building	Construction Period	(Commercial facility) April 8, 2019 (Parking building) September 25, 2003	
	Residence Indication	(Commercial facility) 2-2-1 Harayamadai Minami-ku, Sakai-shi, Osaka. (Parking building) 2-3-2 Harayamadai Minami-ku, Sakai-shi, Osaka				
	Area	10,435.37 m ²		Structure and Number of Stories	(Commercial facility) Alloy-plated steel sheet-roofed, steel- framed flat building with three stories (Parking Building) Flat-roofed steel-framed structure with four stories	
	Use District	Commercial District		Total Floor Area	(Commercial facility) 11,771.04 m ² (Parking building) 4,520.94 m ²	
	Building Coverage Ratio	80%		Use	(Commercial facility) shops (Parking building) parking lot	
	Floor-area Ratio	400%				
	Type of Ownership	Ownership		Type of Ownership	Ownership	
	Master Lease Company			ES-CON JAPAN Ltd.	Type of Maser Lease	
PM Company		ES-CON PROPERTY Ltd.	Trustee		Mizuho Trust & Banking Co., Ltd.	
Status of Leasing						
Name of Lessee		The Daiei, Inc. / 29 other tenants ^{*1}	Total Leasable Area		8,471.24 m ²	
Type of Contract / Number of Tenants		Fixed-term building lease contract / 30	Total Leased Area		8,371.23 m ²	
Term of Contract		The Daiei, Inc. ^{*2}	Monthly Rent (including common service charges)		The Daiei, Inc. ^{*2} 28 million yen (entire facility)	
Occupancy Rate		98.8% ^{*3}	Lease Deposit/ Guarantee Deposit		The Daiei, Inc. ^{*2} 186 million yen (entire facility)	
Rent Revision		The Daiei, Inc. ^{*2}				
Contract Renewal		The Daiei, Inc. ^{*2}				
Termination		The Daiei, Inc. ^{*2}				
Status of Fulfillment of Standards for Selecting Tenants						
ESCON REIT has determined that the lessee has fulfilled the standards for selecting tenants and has sufficient creditworthiness as a tenant as of the date hereof.						

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Special Comment

The trustee, ESCON REIT and Chuden Real Estate Co., Inc., the quasi-co-owners of the trust beneficiary right in which this property is the asset in trust exchanged a letter of agreement (the “Letter of Agreement between the Co-Owners”). In this Letter of Agreement between the Co-Owners, when either of the co-owners decides to transfer its co-ownership, they are to preferentially make an offer to the co-owner before other parties. Moreover, with the exception of certain important matters, in the event that a decision has to be made as the trust beneficiary in this property, ESCON REIT will make the decision based on its independent judgment. In addition, in the event that co-ownership interest in this property is returned from trustee to trust beneficiary in kind, claims on division of co-ownership parts shall not be made for five years from the effective return date, in accordance with Article 256 of the Civil Code.

Notes

- * 1 The number of lease contracts between the main lessee and other end tenants is stated.
- * 2 Information on terms is not disclosed since consent has not been obtained from the lessee.
- * 3 Occupancy rate of the entire commercial facility is stated.
- * The above table indicates the figures for the entire property, while ESCON REIT plans to acquire a 50% quasi-co-ownership interest of the trust beneficiary interest in this property.

Characteristics of Property

- Sakai-shi Minami-ku, where this property is located, is one of the seven wards that make up Sakai-shi (government ordinance-designated city since April 2006). Minami-ku, in which “Senboku New Town”, one of the biggest urban new towns in Osaka Prefecture, is located, has the second largest population among the seven wards of Sakai-shi.
- This property has superb train access as it is located within one minute walking distance from the south exit of Toga • Mikita station on the Senboku rapid railway line. Moreover, the train station is directly connected to the second floor of this property saving visitors the trouble of going down to the ground floor to access the property. In front of this property is a bus stop making it convenient for senior citizens and other visitors to come to this property as well.
- According to the 2015 National Census, the population in the catchment area is 19,000 people within a 1-kilometer radius, 70,000 people within a 2-kilometer radius, and 140,000 people within a 3-kilometer radius. This property is located along the Senboku Route-1 (Fudo Route-38), which has the most automobile traffic within a 3-kilometer radius. Also, there are various arterial roads surrounding this property within a 3-kilometer radius enabling good road access for car users. In order to accommodate such traffic volume, there is a car parking tower which can fit 103 vehicles located southwest of this property.
- Visitors to this property are expected to increase once the development of a condominium (143 total units) at the adjacent site south of this property is completed in February 2020.
- Tenant mix is diverse and meets a wide range of daily necessities. Core tenants of this property include a supermarket, “AEON FOOD STYLE”, as well as non-food retailers such as Matsumoto-Kiyoshi, “Seria (a 100-yen shop)”, a utility clothing store and bookstore. The tenant mix is comprised of businesses that are deeply rooted in the daily lives of communities such as five clinics covering eight medical practice fields as well as fitness club, cram schools, nursing daycare, mobile phone store, bank, post office, and restaurants.
- Although there are several large retailers (over 1,000 m² floor space) within 1 - 3 kilometer radius of this property which could become competitive in the catchment area, there are no large retailers in the vicinity of Toga • Mikita station.

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LIFE Daisen (leasehold land)			Property number	KS-5	Use	Commercial
Overview of Specified Asset						
Type of Specified Asset		Real estate trust beneficial interest*1	Anticipated Acquisition Date		February 4, 2020	
			Anticipated Acquisition Price		2,733 million yen	
Land	Location	6-183 Daisen nishimachi, Sakai-ku, Sakai-shi, Osaka and two other lots	Building	Construction Period	1. March 12, 2004 2. October 25, 1999	
	Residence Indication	6-184-1 Daisen nishimachi 6, Sakai-ku, Sakai-shi, Osaka				
	Area	9,264.48 m ²		Structure and Number of Stories	1. Slate-roofed steel-framed structure with two stories 2. Flat-roofed steel-framed structure with two stories	
	Use District	Industrial District		Total Floor Area	1. 718.66 m ² 2. 9,979.61 m ²	
	Building Coverage Ratio	60%		Use	1. Shops 2. Shops, warehouse	
	Floor-area Ratio	200%				
	Type of Ownership	Ownership				
Master Lease Company		-	Type of Maser Lease		-	
PM Company		ES-CON PROPERTY Ltd.	Trustee		Resona Bank, Limited	
Status of Leasing*2						
Name of Lessee		ES-CON JAPAN Ltd.	Total Leasable Area		9,264.48 m ²	
Type of Contract / Number of Tenants		Fixed-term business land lease contract / 1	Total Leased Area		9,264.48 m ²	
Term of Contract		January 21, 2020 to January 20, 2040	Monthly Rent (including common service charges)		12 million yen	
Occupancy Rate		100.0%	Lease Deposit / Guarantee Deposit		72 million yen	
Rent Revision		This lease contract may be revised after mutual negotiation if both the lessor and lessee deem it necessary to revise the current rent due to significant changes in economic conditions, taxes and public dues, etc.				
Contract Renewal		There is no extension of duration due to renewal of the contract or reconstruction of the building.				
Termination		The lessee, upon written notice to the lessor, may terminate its lease contract at least 6 months prior to its expiration of the contract term.				
Status of Fulfillment of Standards for Selecting Tenants*2						
ESCON REIT has determined that the lessee has fulfilled the standards for selecting tenants and has sufficient creditworthiness as a tenant as of the date hereof.						
Special Comment						
Not applicable.						

Notes

* 1 This real estate trust beneficial interest is a beneficial interest in a trust in which leasehold land is an asset in trust, and the building and other facilities existing on the leasehold land are not included in the asset in trust.

* 2 The above information is based on a fixed-term business-use land lease agreement which has been executed or is scheduled to be executed as of the date hereof. On December 23, 2019, the lessor (Resona Bank, Limited., as Trustee) and the lessee entered into a Memorandum of Understanding on the execution of a fixed term business-use land lease agreement.

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Characteristics of Property

- Sakai-shi Sakai-ku, where this property is located, is one of the seven wards that make up Sakai-shi. The city hall, district court and other local government offices, as well as hotels and shopping arcades are located within Sakai-ku.
- Although the population growth of Sakai-ku is almost flat (146,366 people as of January 1, 2015 versus 146,429 as of January 1, 2019), the number of households has increased 3.9% for 4 years from 73,610 households (as of January 1, 2015) to 76,467 (as of January 1, 2019).
- According to the 2015 National Census, the catchment population of the surrounding area is enormous with 23,000 people within a 1-kilometer radius, 118,000 within a 2-kilometer radius, 248,000 within a 3-kilometer radius, and 596,000 within a 5-kilometer radius. This property is located along Fudo Route-30, which is a 4-lane road that serves as a major artery for drivers going northbound and southbound. This property is well visible from this artery road. Also, this property is accessible from west bound and east bound traffic along several major arteries. Visitors can find parking on the south side of this property enabling smooth access for the entire catchment population. In the vicinity of this property are “Nitori”, large men’s clothing retailer, CD/DVD rental shop, wholesale supermarket, family restaurants, drug stores, and convenience stores are in operation. This property is located in an area with a high concentration of retail activity.
- The tenant mix is comprised of businesses deeply rooted in the daily lives of communities such as “LIFE”, a leading supermarket chain operated by LIFE CORPORATION (listed in the 1st Section of the Tokyo Stock Exchange), “Kojima Outlet”, a consumer electronics retailer operated by Kojima Co., Ltd. (listed in the 1st Section of the Tokyo Stock Exchange) as well as “Seria”, a 100-yen shop, utility clothing store, and drug store. The entire facility is designed to be a one-stop shop for consumers.
- The Tsutaya Sakai-minami (leasehold land) owned by ESCON REIT is located next to this property.

3. Overview of sellers

tonarie Yamatotakada, tonarie Toga • Mikita, LIFE Daisen (leasehold land)

- | | |
|---|---|
| (1) Name | ES-CON JAPAN Ltd. (hereinafter, the “Company”) |
| (2) Location | 2-10-4, Toranomom, Minato-ku, Tokyo |
| (3) Position and name of representative | Takatoshi Ito (President & Representative Director) |
| (4) Business lines | Planning, development and sales businesses of condominiums and commercial properties, the leasing and the property management businesses of properties owned, the management business of condominiums, the entrustment, planning, brokerage and consulting business of real estate-related operations, and the real estate investment advisory business |
| (5) Capital | 6,259 million yen (FY2018/12, consolidated basis) |
| (6) Established | April 1995 |
| (7) Net assets | 27,359 million yen (FY2018/12, consolidated basis) |
| (8) Total assets | 109,747 million yen (FY2018/12, consolidated basis) |
| (9) Major shareholder | Chubu Electric Power Co., Inc. (33.2%) |
| (10) Relationships between ESCON REIT and the Asset Manager and the Company | |
| Capital relationship | The Company has a 100% stake in the Asset Manager. |
| Personal relationship | As of today, 13 of the employees of the Asset Manager (excluding officers) are seconded from the Company. |
| Business relationship | The Company has entered into a sponsor support contract with ESCON REIT and the Asset Manager (including subsequent amendments). The Company has also entered into a master lease contract with ESCON REIT. |
| Status of falling under a related party | The Company is the parent company of the Asset Manager and falls under a related party. It also falls under an interested person, etc. provided for in the Investment Trust Act and an interested party under the Regulations on Transactions with Interested Parties, the internal regulations of the Asset Manager. Therefore, the Asset Manager follows the decision-making procedures set forth in the Regulations on Transactions with Interested Parties when it conducts transactions to acquire these assets. |

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4. Transactions with interested persons, etc.

ESCON REIT plans to acquire each asset from ES-CON JAPAN Ltd., which is classified as an interested person, etc. as provided for in Article 201 of the Investment Trust Act and Article 123 of the Order for Enforcement of the Act on Investment Trusts and Investment Corporations and an interested party under the Regulations on Transactions with Interested Parties, the internal regulations of the Asset Manager. The overview of each transaction is as follows. The Asset Manager has followed the decision-making procedures set forth in the Regulations on Transactions with Interested Parties when conducting transactions to acquire these assets with ES-CON JAPAN Ltd.

Assets to be Acquired	Anticipated Acquisition Price* (million yen)	Seller
tonarie Yamatotakada (ownership 50%)	4,150	ES-CON JAPAN Ltd.
tonarie Toga • Mikita (ownership 50%)	3,490	
LIFE Daisen (leasehold land)	2,733	
Total (3 properties, Assets to be Acquired)	10,373	-

* For “Anticipated Acquisition Price”, the sales price of each trust beneficial interest stated in each purchase and sales agreement of the Assets to be Acquired is stated by rounding off to the nearest million yen. Therefore, the total of the Anticipated Acquisition Prices may not conform to the total acquisition price. The sales prices do not include consumption tax, local consumption tax and expenses required for acquisition.

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5. Status of property acquirers

Property name (location)	Previous owner / beneficiary	Second previous owner / beneficiary	Third previous owner / beneficiary
	1.Company name/Name 2.Relationship with a person with a special interest 3.Background and reason for acquisition		
	Acquisition (transfer) price		
	Time of acquisition (transfer)		
tonarie Yamatotakada (ownership 50%) (3-1 Saiwaicho, Yamatotakada-shi, Nara and five other lots)	1. ES-CON JAPAN Ltd. 2. Parent company of the Asset Manager 3. Acquired for development purposes	Person other than a person with a special interest	-
	Omitted because it has been owned for more than a year	-	-
	July 2015	-	-
tonarie Toga • Mikita (ownership 50%) (2-2-1 Harayamadai, Minami-ku, Sakai-shi, Osaka and three other lots)	1. ES-CON JAPAN Ltd. 2. Parent company of the Asset Manager 3.Acquired for development purposes	Person other than a person with a special interest	-
	Omitted because it has been owned for more than a year	-	-
	June 2017	-	-
LIFE Daisen (leasehold land) 6-183 Daisen nishimachi, Sakai-ku, Sakai-shi, Osaka and two other lots	1. ES-CON JAPAN Ltd. 2. Parent company of the Asset Manager 3. Acquired to sell the property to an investment firm after enhancing its value	1.2. ESCON REIT. 3. Acquired for private placement investment purposes	1. ES-CON JAPAN Ltd. 2. Parent company of the Asset Manager 3. Acquired for investment purposes. The fourth previous owner was not a person with special interests
	Omitted because it has been owned for more than a year	Omitted because it was acquired more than a year ago	Omitted because it was acquired more than a year ago
	November 2017	February 2017	March 2016

6. Future forecast

For the forecast for the future management status of ESCON REIT, refer to “Notice Concerning Revision of Earnings Performance and Distribution Forecasts for the Fiscal Period Ending July 31, 2020 and Earnings Performance and Distribution Forecasts for the Fiscal Period Ending January 31, 2021” announced today.

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7. Overview of the Real Estate Appraisal Report

Overview of the Real Estate Appraisal Report	
Property name	tonarie Yamatotakada
Appraisal value	8,410 million yen
Appraisal firm	JLL Morii Valuation & Advisory K.K.
Date of value	October 31, 2019

Items	Details (million yen)	Remarks
Revenue price	8,410	
Indicated value by direct capitalization method	8,530	
(1) Operating income (a) - (b)	675	
(a) Effective gross income	689	
(b) Vacancy losses	14	
(2) Operating expenses	256	
Maintenance and management fee	54	Considered the amount of the current contract to be reasonable based on the level of similar properties
Utility expenses	111	Assessed based on current contracts and income and expenditure forecasts
Repair expenses	1	Considered the estimate stated in Engineering Report reasonable and recorded 30% of the annual average amount of repair expenses
Property management fee	37	Considered the amount of the current contract to be reasonable based on the level of similar properties
Tenant solicitation expenses, etc.	3	New monthly rent for one month
Property tax and public dues Land Building	43	Assessed based on actual results, taking account of aging depreciation, etc.
Insurance premium	2	Recorded the amount of current contract as it is considered appropriate
Other expenses	4	Recorded based on actual income and expenditure in previous years
(3) Net operating income (NOI = (1) - (2))	418	
(4) Financial interests on refundable deposits	2	
(5) Capital expenditure	2	Calculated by deducting the amount equals to vacant rooms from the amount of guarantee money at the time of full occupancy, etc., and multiplying the result by the yield of 1.0%
(6) Net cash flow (NCF = (3) + (4) - (5))	418	Considered the estimate stated in Engineering Report to be reasonable and recorded 70% of the annual average amount
(7) Capitalization rate	4.9%	
Value Calculated Using Discount Cash Flow (DCF) Method	8,290	
Discount rate	4.7%	
Terminal capitalization rate	5.1%	
Indicated value by cost approach	8,050	
Percentage of land	50.6%	
Percentage of building	49.4%	

Other matters to which the appraisal firm paid attention for appraisal	Not applicable
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*The above table shows the appraisal value calculated on the assumption of 100% ownership, while ESCON REIT plans to acquire a 50% quasi-co-ownership interest of the trust beneficiary interest in this property.

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Overview of the Real Estate Appraisal Report	
Property name	tonarie Toga • Mikita
Appraisal value	7,110 million yen
Appraisal firm	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Date of value	October 31, 2019

Items	Details (million yen)	Remarks
Revenue price	7,110	
Indicated value by direct capitalization method	7,170	
(1) Operating income (a) - (b)	503	
(a) Effective gross income	515	
(b) Vacancy losses	12	
(2) Operating expenses	169	
Maintenance and management fee	18	Considered the amount of the current contract to be appropriate
Utility expenses	67	Recorded based on utility costs for similar properties
Repair expenses	2	Assessed and recorded repair costs as 0.12% of the building replacement price based on the level of repair costs of similar properties and the Engineering Report
Property management fee	47	Considered the amount of current contract to be appropriate
Tenant solicitation expenses, etc.	2	Assessed and recorded as 1.0 month rent for a new tenant based on tenant solicitation expenses for similar properties, etc.
Property tax and public dues Land Building	26	(Land) Assessed based on actual figures in FY2019 (Building, etc.) commercial facilities: Assessed based on the building replacement price Multistory parking facility: Used the actual costs in FY 2019
Insurance premium	1	Considered the amount of current contract as to be appropriate
Other expenses	2	Recorded 0.5% of operating income
(3) Net operating income (NOI = (1) - (2))	334	
(4) Financial interests on refundable deposits	1	Assessed by setting a targeted investment return at 1.0%, based on comprehensive consideration of both management and procurement aspects
(5) Capital expenditure	6	Assessed capital expenditure to be 0.28% of the building replacement price based on the renewal costs given in the Engineering Report and renewal costs of similar properties, and then recorded it after taking into account the construction management fee
(6) Net cash flow (NCF = (3) + (4) - (5))	329	
(7) Capitalization rate	4.6%	
Value Calculated Using Discount Cash Flow (DCF) Method	7,080	
Discount rate	4.4%	
Terminal capitalization rate	4.8%	
Indicated value by cost approach	4,580	
Percentage of land	54.6%	
Percentage of Building	45.4%	

Other matters to which the appraisal firm paid attention for appraisal	Not applicable
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* The above table shows the appraisal value calculated on the assumption of 100% ownership, while ESCON REIT plans to acquire a 50% quasi-co-ownership interest of the trust beneficiary interest in this property.

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Overview of the Real Estate Appraisal Report	
Property name	LIFE Daisen (leasehold land)
Appraisal value	3,050 million yen
Appraisal firm	DAIWA REAL ESTATE APPRAISAL CO., LTD.
Date of value	October 31, 2019

Items	Details (million yen)	Remarks
Revenue price	3,050	
Indicated value by direct capitalization method (Capitalization method over a definite term)	3,050	Calculated using the indicated value by DCF method since it has been decided that the validity of the indicated value by DCF method is supported by the indicated value by capitalization method over a definite term
(1) Operating income (a) - (b)	144	Assessed based on capitalization method over a definite term using capitalizing standardized net cash flow that is deemed stable over the medium to long term by the discount rate
(a) Effective gross income	-	
(b) Vacancy losses	-	
(2) Operating expenses	9	
Maintenance and management fee	-	Not applicable for leasehold land.
Utility expenses	-	Not applicable for leasehold land.
Repair expenses	-	Not applicable for leasehold land.
Property management fee	0	Recorded in consideration of the current contracts and the level of property management fees for similar properties
Tenant solicitation expenses, etc.	-	Not applicable for leasehold land.
Property tax and public dues Land Building	8	Assessed based on actual amount
Insurance premium	-	Not applicable for leasehold land.
Other expenses	-	
(3) Net operating income (NOI = (1) - (2))	134	
(4) Financial interests on refundable deposits	0	Assessed by setting a targeted investment return at 1.0%, based on comprehensive consideration of both management and procurement aspects
(5) Capital expenditure	-	Not applicable for leasehold land.
(6) Net cash flow (NCF = (3) + (4) - (5))	135	
(7) Capitalization rate	4.3%	
Value Calculated Using Discount Cash Flow (DCF) Method	3,050	The value is determined by analyzing income and expenditure items based on the fixed-term land lease agreement, organizing and appraising current terms of lease, contents of assumptions and trends for applying the income approach, and adding the present value
Discount rate	4.3%	Assessed in light of the current land rent level based on the method of setting up the discount rate in comparison with discount rates of similar properties after taking into consideration interviews with investors
Terminal capitalization rate	-	The terminal capitalization rate is not used, because the price of a vacant site set up by the land residual method and the sales comparison approach is used as the reversionary value.
Indicated value by cost approach	-	
Percentage of land	-	
Percentage of Building	-	

Other matters to which the appraisal firm paid attention for appraisal	Not applicable
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* For the capitalization rate, the discount rate based on the capitalization method over a definite term (Inwood method) is stated.

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< Attachment >

Reference Material: Portfolio List

	Property No.	Property Name	Appraisal Firm	(Anticipated) Acquisition Price* ¹ (million yen)	Appraisal Value* ² (million yen)	Investment Ratio* ³ (%)
Assets Acquired	KT-1	tonarie Minami-senri	The Tanizawa Sogo Appraisal Co., Ltd.	7,200	7,870	13.9
	KS-1	LAMU Kitatsumori (Leasehold land)	JLL Morii Valuation & Advisory K.K.	1,270	1,480	2.4
	OS-1	K's Denki Kurashiki (Leasehold land)	DAIWA REAL ESTATE APPRAISAL CO., LTD.	2,121	2,430	4.1
	ST-1	Asumigaoka Brand-New Mall	The Tanizawa Sogo Appraisal Co., Ltd.	3,200	3,595	6.2
	ST-2	Nishi-shiroi Ekimae Plaza	DAIWA REAL ESTATE APPRAISAL CO., LTD.	451	460	0.9
	SS-1	K's Denki Oyumino (Leasehold land)	JLL Morii Valuation & Advisory K.K.	2,710	2,860	5.2
	SS-2	Nitori Tsuchiura (Leasehold land)	JLL Morii Valuation & Advisory K.K.	999	1,080	1.9
	SS-3	Nitori Imaichi (Leasehold land)	JLL Morii Valuation & Advisory K.K.	363	404	0.7
	KT-2	tonarie Seiwadai	DAIWA REAL ESTATE APPRAISAL CO., LTD.	3,290	3,400	6.3
	KS-	K's Denki Nishi-kobe (Leasehold land)	JLL Morii Valuation & Advisory K.K.	2,133	2,470	4.1
	KS-3	Sanyo Marunaka Mitani (Leasehold land)	DAIWA REAL ESTATE APPRAISAL CO., LTD.	1,430	1,510	2.8
	KS-4	Tsutaya Sakai-minami (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	946	999	1.8
	TT-1	Pare Marche Nishiharu	DAIWA REAL ESTATE APPRAISAL CO., LTD.	4,610	4,670	8.9
	TS-1	MaxValu Kikyogaoka-higashi (Leasehold land)	JLL Morii Valuation & Advisory K.K.	477	534	0.9
	FS-1	MrMAX Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	3,387	3,830	6.5
	FS-2	UNIQLO Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	595	648	1.1
	FS-3	Avail.Shimamura Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	863	1,080	1.7
	FS-4	au-Softbank Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	143	158	0.3
	FS-5	Kura Sushi Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	261	299	0.5
	FS-6	docomo Shop Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	160	179	0.3
	FS-7	Konpira Maru Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	236	262	0.5
	FS-8	One-Karubi Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	236	262	0.5
	FS-9	Suke-san Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	401	418	0.8
	FS-10	NAFCO Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	2,631	3,300	5.1
	FS-11	K's Denki Kasuga (Leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,487	1,790	2.9
Assets to be Acquired	KT-3	tonarie Yamatotakada	JLL Morii Valuation & Advisory K.K.	4,150	4,205	8.0
	KT-4	tonarie Toga • Mikita	DAIWA REAL ESTATE APPRAISAL CO., LTD.	3,490	3,555	6.7
	KS-5	LIFE Daisen (leasehold land)	DAIWA REAL ESTATE APPRAISAL CO., LTD.	2,733	3,050	5.3
	Total		-	51,980	56,798	100.0

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Notes

- * 1 For “(Anticipated) Acquisition Price”, the sales price of each real estate trust beneficial interest stated in each sales agreement of real estate trust beneficial interest pertaining to the assets acquired (hereinafter, the “Assets Acquired”) or Assets to be Acquired is rounded off to the nearest million yen. Therefore, the total of the (Anticipated) Acquisition Prices may not be in conformity with the total acquisition price. The sales price does not include consumption tax, local consumption tax and expenses required for acquisition.
- * 2 While the appraisal date for the Assets to be Acquired is October 31, 2019, the valuation of the Assets Acquired is as of July 31, 2019. Given each appraisal value in the respective appraisal reports is rounded down to the nearest million yen, the total may not conform to the total of the amounts in the appraisal reports. The investment ratio indicates the ratio of the acquisition price of each asset to the total acquisition price, rounded to the nearest first decimal place.
- * 3 The “Investment Ratio” indicates the ratio of the (Anticipated) Acquisition Price of each asset to the total acquisition price, rounded to the nearest first decimal place. Therefore, the total of the Investment Ratio may not be in conformity with the total investment Ratio.

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

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