

May 31, 2024

To All Concerned Parties

Investment Corporation
 ESCON JAPAN REIT Investment Corporation
 Representative: Tadashi Ebihara, Executive Director
 (Securities Code: 2971)

Asset Management Company
 ES-CON ASSET MANAGEMENT Ltd.
 Representative: Wataru Orii
 President and Representative Director

Inquiries: Kenichi Tanaka
 General Manager of the Department of
 Finance and Control
 TEL: +81- 3-6230-9338

Notice Concerning Acquisition and Transfer (Asset Replacement) of Domestic Real Estate Trust Beneficial Interests

ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the “Asset Manager”), to which ESCON JAPAN REIT Investment Corporation (hereinafter, “ESCON REIT”) entrusts the management of its assets, decided on the acquisition and transfer of assets as described below (hereinafter referred to individually as the “Acquisition” and the “Transfer” and collectively as the “Transaction”. Additionally, among the target assets of this Transaction, the assets to be acquired are referred to as the “Assets to be Acquired”, and the assets to be transferred are referred to as the “Assets to be Transferred”.) The Asset Manager hereby announce this decision.

Furthermore, among the Assets to be Acquired, the seller of “tonarie Yamatotakada (50% quasi co-ownership (additional acquisition))” is Chuden Real Estate Co., Inc. (hereinafter, “Chuden Real Estate”), and the transferee of the Assets to be transferred is ES-CON Japan Ltd. (hereinafter, “ES-CON JAPAN”).

Chuden Real Estate and ES-CON JAPAN are considered interested parties under the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951, as amended, hereinafter, “Investment Trust Act”). Accordingly, the Asset Manager has obtained the consent of ESCON REIT based on the approval of ESCON REIT's board of directors held today, in compliance with the Investment Trust Act. Since Chuden Real Estate and ES-CON JAPAN are also considered interested parties under the Asset Manager's internal regulations, the decision-making procedures stipulated in the Interested Party Transaction Rules have been followed when conducting transactions for the acquisition and transfer of assets with Chuden Real Estate and ES-CON JAPAN.

1. Reason for the Transaction

This transaction is based on the roadmap of ESCON REIT announced at the financial results presentation for the fiscal period ended January 31, 2023. It is positioned as part of the external growth strategy that involves “considering new asset types and incorporating assets to solve social issues”, and the internal growth strategy that involves “reviewing and considering portfolio replacements” in Phase II of the roadmap (the fiscal periods ending July 31, 2024 and January 31, 2025), which is the “Improvement of Portfolio and Growth Stage”. Through this initiative, ESCON REIT aims to improve the portfolio, enhance the overall profitability of the portfolio, and maximize unitholder value.

(1) Regarding the Transfer of “Yoshizuya Y Store Nishiharu”, “LIFE Daisen (leasehold land)”, and “TSUTAYA Sakai-minami (leasehold land)”

“Yoshizuya Y Store Nishiharu” (acquired as “Pare Marche Nishiharu”) was acquired on February 13, 2019. Since the acquisition, the commercial building had been leased to OKUWA Co., Ltd. However, they vacated the premises on April 20, 2022. To avoid a vacancy period and secure rental income, ESCON REIT signed a full-building lease agreement with Yoshizuya Co., Ltd. for the commercial building. However, this new lease agreement resulted in a reduced rental rate compared to the previous contract, and the contract stipulates that rent for the vacant third-floor area would not be charged unless a tenant occupies the space. Consequently, the NOI after depreciation significantly

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decreased compared to the previous contract, leading to an almost halved appraisal value (2,260 million yen as of January 31, 2024). The Asset Manager recognized that if the vacancy on the third floor persists, it may be forced to record an impairment loss for “Yoshizuya Y Store Nishiharu” in the future, which could adversely affect ESCON REIT’s financial condition and performance.

While striving to lease the third floor, the Asset Manager repeatedly reviewed the future operational policy for “Yoshizuya Y Store Nishiharu”. It concluded that transferring the property was the best decision to avoid the abovementioned risks.

In transferring “Yoshizuya Y Store Nishiharu”, our sponsor, ES-CON JAPAN, and approximately 120 potential buyers were approached, including real estate developers, general business companies, and investors through intermediaries. A fair, competitive bidding process was conducted. The Asset Manager received multiple purchase offers, with the highest offer being 4,000 million yen (from ES-CON JAPAN), which exceeds the appraisal mentioned above value (2,260 million yen). However, a transfer loss is expected even at this highest offer price.

The Asset Manager determined that transferring “Yoshizuya Y Store Nishiharu” would result in a transfer loss. Therefore, the Asset Manager began selecting additional properties with unrealized profits for transfer to cover this loss and maintain the distribution level for unitholders. Transferring properties that could potentially worsen future cash flows for the long-term stability of ESCON REIT was also considered. As a result, “LIFE Daisen (leasehold land)” and “TSUTAYA Sakai-minami (leasehold land)” were selected as additional transfer candidates. Reasons for selecting these two properties:

- “LIFE Daisen (leasehold land)” has substantial unrealized profits as a standalone property and is adjacent to “TSUTAYA Sakai-minami (leasehold land)”. Transferring them together would likely maximize the transfer price for both properties.
- The fixed-term lease contract for “TSUTAYA Sakai-minami (leasehold land)” ends in January 2026. Attracting a successor tenant could take time, and even if successful, cash flows during the construction period of new buildings by the successor tenant could significantly deteriorate compared to the current cash flows from the fixed-term lease contract. Thus, it is likely that future consideration of a transfer will be necessary.

Considering the above, the Asset Manager consulted multiple intermediaries with on the expected transfer prices for “LIFE Daisen (leasehold land)” and “TSUTAYA Sakai-minami (leasehold land)”. It was estimated that these transfers could cover the loss from transferring “Yoshizuya Y Store Nishiharu”. Subsequently, the Asset Manager conducted a fair, competitive bidding process by approaching about 170 potential buyers, including real estate developers, general business companies, and investors through our sponsor, ES-CON JAPAN, and multiple intermediaries. As a result, the Asset Manager received multiple purchase offers, with the highest offer from ES-CON JAPAN for a combined purchase of both properties, on the condition that the two properties be purchased together totaling 4,300 million yen (“LIFE Daisen (leasehold land)” at 3,325 million yen and “TSUTAYA Sakai-minami (leasehold land)” at 974 million yen). Thus, the total expected transfer amount for the three properties (“Yoshizuya Y Store Nishiharu”, “LIFE Daisen (leasehold land)”, and “TSUTAYA Sakai-minami (leasehold land)”) is 8,300 million yen.

The Asset Manager have decided to transfer these three properties because the following can be achieved through the transferring these three properties.

1. Avoid the risk of recording impairment losses for “Yoshizuya Y Store Nishiharu” in the future, which could adversely affect the financial condition and performance of ESCON REIT.
2. Maximize the transfer gains from “LIFE Daisen (leasehold land)” and “TSUTAYA Sakai-minami (leasehold land)”, which have substantial unrealized profits, through a fair, competitive bidding process, thereby securing the distribution funds to fully cover the transfer loss from “Yoshizuya Y Store Nishiharu”.
3. Avoid the risk of cash flow deterioration due to the end of the fixed-term lease contract for “TSUTAYA Sakai-minami (leasehold land)” in January 2026.

(2) Acquisition of “tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)”, “Hasekura Medical Building”, and “fab Minamiosawa”

The Asset Manager determined that acquiring new assets was necessary to offset the operational asset balance and NOI decrease after depreciation of ESCON REIT resulting from the abovementioned (1) transfer. Thus, consideration for the acquisition of new assets began.

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ESCON REIT believes that despite the anticipated population decline and urban concentration in Japan, the demand for living in metropolitan areas and surrounding areas with high living convenience will remain stable. To support the enriched lives of people in such places, in addition to the commercial facilities and leasehold land ESCON REIT has previously invested in, ESCON REIT recognizes the new need for assets that address various social issues such as declining birthrates and aging population, environmental and energy problems, labor and education issues, and challenges posed by natural disasters. These assets contribute to realizing a sustainable society, including healthcare facilities*, educational facilities, hotels, and logistics facilities that serve as bases during disasters. ESCON REIT has redefined these assets as “lifestyle-focused assets” (including commercial facilities, housing, and assets aimed at creating a sustainable society, including leasehold land. The same applies hereafter.) and has expanded its investment areas. The fundamental philosophy is to ensure the steady growth of managed assets and maximize investor value by investing in lifestyle-focused assets in the five major metropolitan areas. This investment policy change in the above fundamental philosophy was approved at the 7th General Meeting of Unitholders held on October 27, 2023.

The properties to be acquired this time fall under the category of “lifestyle-focused assets”, which can create and revitalize local communities centered on owned properties and are judged to contribute to improving unitholder value. “tonarie Yamatotakada,” located in Yamatotakada-shi, the most densely populated area in Nara Prefecture, this commercial facility, with the concept of “a three-dimensional park connecting with the community”, features expansive terrace decks on multiple floors and attracts young families. By additionally acquiring a 50% quasi co-ownership trust beneficiary interest (anticipated acquisition price: 4,058 million yen), ESCON REIT will own 100% of the property, allowing for stable operation and further asset value enhancement.

“Hasekura Medical Building” (anticipated acquisition price: 1,400 million yen) is a mixed-use building primarily for medical purposes, with main tenants including obstetrics and gynecology, pediatrics, dentistry, a pharmacy, and a daycare center. It is a lifestyle-focused asset essential to the surrounding residents. This acquisition marks the first time ESCON REIT has acquired an asset aimed at creating a sustainable society following the change in investment policy. It is located in Aoba-ku, Sendai-shi, Miyagi Prefecture, within the medical service area of Tohoku University Hospital and Sendai Kousei Hospital, which allows for synergistic effects through medical collaboration. It is also a property well-suited to the characteristics of the surrounding residents.

“fab Minamiosawa” (anticipated acquisition price: 3,600 million yen) is ESCON REIT's first commercial facility in front of a station in Tokyo. A pedestrian deck connects it to the ticket gate level of Keio Sagami-hara Line “Minami Osawa” Station, making it highly convenient for station users and those utilizing nearby facilities.

The total anticipated acquisition price for these assets is 9,058 million yen. This transaction is expected to increase the annual NOI after depreciation by 99 million yen and increase unrealized profits by 2,409 million yen, leading to overall portfolio improvement and profitability enhancement. Therefore, ESCON REIT decided to proceed with this acquisition. Going forward, ESCON REIT aims to achieve the asset size targets outlined in the roadmap by leveraging not only sponsor support but also the unique network of the Asset Manager.

* “Healthcare facilities” refer to serviced senior housing as defined in Article 5 of the Act on Securement of Stable Supply of Elderly Persons’ Residences, or fee-based homes for the elderly as defined in Article 29 of the Elderly Welfare Act, or group homes for elderly with dementia based on Article 5-2, Paragraph 6 of the same act. Hospitals as defined in Article 1-5, Paragraph 1 of the Medical Care Act, are not included.

Improvement in portfolio profitability due to this transaction is as follows:

	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**)	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

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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.

2. Overview of Assets to be Acquired and Assets to be Transferred

(1) Overview of the Assets to be Acquired

	Property name	Location	Asset Type	Anticipated Acquisition Price (million yen) *1	Appraisal Value (million yen) *2
Assets to be Acquired	tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition) *3	Yamatotakada-shi, Nara	Commercial Facility	4,058	4,065
	Hasekura Medical Building	Aoba-ku, Sendai-shi, Miyagi	Other (Clinic)	1,400	1,480
	fab Minamiosawa	Hachioji-shi, Tokyo	Commercial Facility	3,600	4,310
	Total (three properties)	-	-	9,058	9,855

*1 The “Anticipated Acquisition Price” is the purchase price of each trust beneficiary interest, as stated in each trust beneficiary's proper sales contract for the Assets to be Acquired, rounded down to the nearest million yen. Therefore, the “Anticipated Acquisition Price” total may not match the total portfolio. The purchase price does not include consumption tax, local consumption tax, and other acquisition-related costs.

*2 For details on the appraisal value, please refer to “4. Overview of the Real Estate Appraisal Report” below.

*3 For “tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)”, the “Appraisal Value” is calculated by multiplying the appraised value assuming 100% ownership by the 50% ownership ratio. ESCON REIT acquired a 50% quasi co-ownership of the trust beneficiary interest for “tonarie Yamatotakada” on February 4, 2020. The Assets to be Acquired is the remaining 50% quasi-co-ownership of the trust beneficiary interest acquired by Chuden Real Estate on the same date. With this acquisition, ESCON REIT will hold the entire trust beneficiary interest for “tonarie Yamatotakada”. The same applies hereinafter.

- (1) Date of Contract Signing May 31, 2024
- (2) Anticipated Acquisition Date June 28, 2024
- (3) Scheduled Acquisition Source Please refer to “5. Overview of Scheduled Acquisition and Transfer Sources” below for details.
- (4) Acquisition Funds The transfer proceeds of the Assets to be Transferred and the proceeds from the issuance of new investment units through a third-party allotment (hereinafter referred to as “this third-party allotment”) resolved at the Board of Directors meeting of ESCON REIT held on May 31, 2024, as well as part of own funds
- (5) Payment Method Paid in full upon delivery

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(2) Overview of Assets to be Transferred

	Property name	Location	Asset Type	Anticipated Transfer Price (million yen) *1	Book Value (million yen) *2	Transfer Gain/Loss (Estimated) (million yen) *3
Assets to be Transferred	Yoshizuya Y Store Nishiharu	Kitanagoya-shi, Aichi	Commercial Facility	4,000	4,533	(533)
	TSUTAYA Sakai-minami (leasehold land)	Sakai-ku, Sakai-shi, Osaka	Commercial Facility	974	963	11
	LIFE Daisen (leasehold land)	Sakai-ku, Sakai-shi, Osaka	Commercial Facility	3,325	2,777	547
	Total (three properties)	-	-	8,300	8,274	25

*1 The “Anticipated Transfer Price” is the purchase price of each trust beneficiary interest, as stated in each trust beneficiary's proper sales contract for the Assets to be Transferred, rounded down to the nearest million yen. Therefore, the “Anticipated Transfer Price” total may not match the total portfolio. The purchase price does not include consumption tax, local consumption tax, and other transfer-related costs.

*2 The “Book Value” is the book value as of the scheduled transfer date (including related costs for the transfer), rounded down to the nearest million yen. Amounts are truncated to the nearest unit, and ratios are rounded to the second decimal place.

*3 The “Transfer Gain/Loss (Estimated)” is a reference figure calculated as the difference between the “Anticipated Acquisition Price” and the “Book Value”, which may differ from the actual transfer gain/loss. Values are rounded down to the nearest million yen.

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|-------------------------------|--|
| (1) Date of Contract Signing | May 31, 2024 |
| (2) Anticipated Transfer Date | June 27, 2024 |
| (3) Scheduled Transfer Source | Please refer to “5. Overview of Scheduled Acquisition and Transfer Sources” below for details. |
| (4) Use of Transfer Proceeds | Funds for the acquisition of the Assets to be Acquired |
| (5) Payment Method | Received in full upon delivery |

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3. Details of the Assets to be Acquired and Assets to be Transferred

The table below shows the individual summary of the overview for each Asset to be Acquired and Assets to be Transferred (hereinafter, “Individual Property Table”). The terms used in the Individual Property Table are as follows. The situation as of April 30, 2024 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 and Assets to be Transferred at the time of acquisition and transfer.
- “Anticipated Acquisition Date” or “Anticipated Transfer Date” state the dates scheduled for the acquisition or transfer of each of the Assets to be Acquired or Assets to be Transferred specified in the relevant sales agreements.
- “Anticipated Acquisition Price” or “Anticipated Transfer Price” state the sales price (excluding 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 or Assets to be Transferred.
- “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 Transferred 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 Transferred 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. If the Assets to be Transferred 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 Transferred 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 and Assets to be Transferred. “Type of Master Lease” states the type of the master lease contract or schedule of such type (pass-

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through type or fixed rent type) on the respective Assets to be Acquired and Assets to be Transferred.

b. Explanation of “Status of Leasing”

- In “Status of Leasing”, the details of an effective lease contract as of April 30, 2024, are stated for the Assets to be Acquired or Assets to be Transferred based on the figure and information provided by the current owner or the current trustee of the respective Assets to be Acquired and Assets to be Transferred, 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 or Assets to be Transferred (in the case of leasehold land, the name of the lessees of the leasehold land) as of April 30, 2024.
- For “Type of Contract / Number of Tenants”, the total number of lease contracts specified in each lease contract pertaining to the building of the relevant Assets to be Acquired or Assets to be Transferred as of April 30, 2024, is stated. Among the Assets to be Acquired, while tonarie Yamatotakada where the master lease company is ES-CON JAPAN Ltd., indicate the total number of lease agreements with end tenants are stated.
- “Leasable Area” states the leasable area of the building pertaining to the Assets to be Acquired and Assets to be Transferred as of April 30, 2024 rounded to two decimal places as stated in the lease contract. With respect to the “Leasable Area” of assets under a master lease agreement, the Leased Area under sublease contracts with the end tenant is stated rounded to two decimal places.
- “Leased Area” states the Leased Area of the building pertaining to the Assets to be Acquired and Assets to be Transferred as of April 30, 2024 rounded to two decimal places as stated in the lease contracts. With respect to the “Leased Area” of assets under a master lease agreement, the Leased Area under sublease contracts with the end tenant is stated rounded to two decimal places.
- “Term of Contract” states the term of contract specified in the lease contract in which the lease has commenced as of April 30, 2024. 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 leased area made up of the leasable area pertaining to the Assets to be Acquired or Assets to be Transferred as of April 30, 2024, and it is rounded to one decimal place.
- “Monthly Rent (including common area maintenance charge)” is the total amount of monthly rent (including common area maintenance charge) specified in the respective lease contracts as of April 30, 2024, 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 April 30, 2024 (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 pertaining to the Assets to be Acquired or Assets to be Transferred as of April 30, 2024.

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 April 30, 2024 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 / (d) Individual Investment Standards / Investment Standards (Common)” in the securities report submitted on April 30, 2024.

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 and Assets to be Transferred 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

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and Assets to be Transferred.

e. Explanation of “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, General Incorporation Foundation Japan Real Estate institute and BAC Urban Projects Co., Ltd. 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.

In addition, there are no special interests between ESCON REIT and the Asset Manager and these outside experts.



(1) Details of the Assets to be Acquired

tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)			Property number	16103	Use	Commercial	
Overview of Specified Asset*1							
Type of Specified Asset		Real estate trust beneficial interest		Anticipated Acquisition Date		June 28, 2024	
				Anticipated Acquisition Price		4,058 million yen	
Land	Location	3-12 Saiwaicho, Yamatotakadashi, Nara and five other lots		Building	Construction Period	October 18, 2018	
	Residence Indication	3-18, Saiwaicho, Yamatotakadashi, Nara					
	Area	17,740.17㎡			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) 19,609.54㎡ (Parking Building) 11,297.07㎡
	Building Coverage Ratio	80%			Use		(Commercial Facility) Shops (Parking Building) Parking lot
	Floor-area Ratio	400%				Type of Ownership	Ownership
	Type of Ownership	Ownership			Type of Maser Lease		Pass-through type
Master Lease Company		ES-CON JAPAN Ltd.		Trustee		Mizuho Trust & Banking Co., Ltd.	
PM Company		ES-CON PROPERTY Ltd.		Status of Leasing			
Name of Lessee		LIFE CORPORATION / 65 other tenants*2		Leasable Area		14,414.75㎡	
Type of Contract / Number of Tenants		Fixed-term building lease contract / 66		Leased Area		14,414.75㎡	
Term of Contract		Not disclosed*3		Monthly Rent (including common service charges)		41 million yen (entire facility)	
Occupancy Rate		100.0%*4		Lease Deposit/ Guarantee Deposit		Not disclosed*3	
Rent Revision		Not disclosed*3					
Contract Renewal		Not disclosed*3					
Termination		Not disclosed*3					
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							
Although a quasi-co-ownership agreement has been executed between the seller and the trustee, who are the quasi co-owners of the trust beneficiary interest in the property, such agreement is scheduled to be terminated upon the acquisition of the property by ESCON REIT.							
Characteristics of Property							

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<Location advantages>

- Yamatotakada-shi 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.
- 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.

* 1 ESCON REIT owns a 50% quasi-co-ownership interest of the trust beneficiary interest as of the date hereof. The above table indicates the information for the entire property except for Anticipated Acquisition Date and Anticipated Acquisition Price, while ESCON REIT plans to acquire the remaining 50% quasi-co-ownership interest of the trust beneficiary interest in this property.

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

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

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

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Hasekura Medical Building		Property number	39101	Use	Commercial
Overview of Specified Asset					
Type of Specified Asset		Real estate trust beneficial interest		Anticipated Acquisition Date	June 28, 2024
				Anticipated Acquisition Price	1,400 million yen
Land	Location	410 Hasekuracho, Aobaku, Sendai-shi, Miyagi		Construction Period	March 13, 2013
	Residence Indication	1-31 Hasekuracho, Aobaku, Sendai-shi, Miyagi			
	Area	922.12m ²		Structure and Number of Stories	Flat-roofed steel-framed structure with six stories
	Use District	Commercial district		Total Floor Area	2,826.03m ²
	Building Coverage Ratio	80%		Use	clinic
	Floor-area Ratio	400%			
	Type of Ownership	Ownership		Type of Ownership	Ownership
Master Lease Company		ESCON JAPAN REIT Investment Corporation		Type of Maser Lease	Pass-through type
PM Company		Hoosiers Asset Management Co., Ltd.*1		Trustee	SMBC Trust Bank Ltd.
Status of Leasing					
Name of Lessee	Medical Corporation Kenkokai Sendai Aoba Clinic/ 5 other tenants*2		Leasable Area	2,492.37m ²	
Type of Contract / Number of Tenants	Ordinary building lease contract / 6		Leased Area	2,492.37m ²	
Term of Contract	Not disclosed*3		Monthly Rent (including common service charges)	Not disclosed*3	
Occupancy Rate	100.0%		Lease Deposit/ Guarantee Deposit	Not disclosed*3	
Rent Revision	Not disclosed*3				
Contract Renewal	Not disclosed*3				
Termination	Not disclosed*3				
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					
Not applicable					
Characteristics of Property					
<p><Location advantages></p> <ul style="list-style-type: none"> • 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*4 and 31,000 in the secondary medical care area*4 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 					

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<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.

*1 The PM company is scheduled to be changed on the scheduled acquisition date and is being selected as of today.

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

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

*4 The "primary care area" is defined as the area within a 500-meter radius of the facility and the "secondary care area" is defined as the area within a 1-kilometer radius of the facility.



fab Minamiosawa		Property number	13103	Use	Commercial		
Overview of Specified Asset							
Type of Specified Asset		Real estate trust beneficial interest		Anticipated Acquisition Date	June 28, 2024		
				Anticipated Acquisition Price	3,600 million yen		
Land	Location	2-3 Minamiosawa, Hachioji-shi, Tokyo		Building	Construction Period	December 3, 2001	
	Residence Indication	2-3 Minamiosawa, Hachioji-shi, Tokyo					
	Area	2,727.54㎡			Structure and Number of Stories	Flat-roofed steel-framed structure with seven stories	
	Use District	Commercial district			Total Floor Area	9,140.30㎡	
	Building Coverage Ratio	80%			Use	Shops and Theater	
	Floor-area Ratio	400%					
	Type of Ownership	Ownership			Type of Ownership	Ownership	
Master Lease Company		ESCON JAPAN REIT Investment Corporation		Type of Maser Lease	Pass-through type		
PM Company		Nomura Real Estate Retail Properties Co., Ltd.		Trustee	Mitsubishi UFJ Trust and Banking Corporation		
Status of Leasing							
Name of Lessee	TOHO CINEMAS LTD. / 11 other tenants*1		Leasable Area	8,411.49㎡			
Type of Contract / Number of Tenants	Fixed-term building lease contract / 12		Leased Area	7,776.69㎡			
Term of Contract	Not disclosed*2		Monthly Rent	Not disclosed*2			
Occupancy Rate	92.5%		Lease Deposit/ Guarantee Deposit	Not disclosed*2			
Rent Revision	Not disclosed*2						
Contract Renewal	Not disclosed*2						
Termination	Not disclosed*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.							
Special Comment							
Not applicable							
Characteristics of Property							
<p><Location advantages></p> <ul style="list-style-type: none"> • The pedestrian deck connects the 3rd floor of the property with the ticket gate level of Minami-Osawa Station on the Keio Sagami 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. 							

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- 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.

*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.

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(1) Details of the Assets to be Transferred

Yoshizuya Y Store Nishiharu		Property number	15101	Use	Commercial
Overview of Specified Asset					
Type of Specified Asset		Real estate trust beneficial interest ^{*1}		Anticipated Transfer Date	June 27, 2024
				Anticipated Transfer Price	4,000 million yen
Land	Location	3926-9, Shikatawakamiya, Kitanagoya-shi, Aichi and five lots		Construction Period	September 27, 1994
	Residence Indication	3926-10, Shikatawakamiya, Kitanagoya-shi, Aichi			
	Area	11,474.85㎡		Structure and Number of Stories	Steel framed reinforced concrete structure Flat-roofed steel-framed structure with 13 stories
	Use District	category II residential area		Total Floor Area	47,179.93㎡
	Building Coverage Ratio	60%		Use	shops ・ Parking ・ Apartment building
	Floor-area Ratio	200%			
	Type of Ownership	Ownership		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	Mitsubishi UFJ Trust and Banking Corporation
Status of Lease					
Name of Lessee		YOSHIZUYA COMPANY LIMITED and 55 other tenants ^{*2}		Total Leasable Area	26,433.55㎡
Type of Contract/Number of Tenants		Ordinary Building lease contract / 56		Total Leased Area	26,163.51㎡
Term of Contract		Not disclosed ^{*3}		Monthly Rent	Not disclosed ^{*3}
Occupancy Rate		99.7% ^{*4}		Lease Deposit/Guarantee Deposit	Not disclosed ^{*3}
Rent Revision		Not disclosed ^{*3}			
Contract Renewal		Not disclosed ^{*3}			
Termination		Not disclosed ^{*3}			
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					
For the commercial building, ES-CON JAPAN, the master lease company, subleases to YOSHIZUYA COMPANY LIMITED, and for the residential building, ES-CON JAPAN, the master lease company, subleases each unit to an end tenant.					

*1 In addition to trust beneficiary interests in real estate, ESCON REIT owns annexes associated with commercial facilities.

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

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

*4 The property consists of a commercial building and a residential building. The commercial building is subleased to YOSHIZUYA COMPANY LIMITED by master lessee ES-CON JAPAN, and the leased area in the table above includes the 4,485.14 ㎡ leased area on the third floor, which was vacant as of April 30, 2024. Regarding the third floor, a fixed rent per tsubo will be added according to the contracted floor area as tenants move in, but taking into account the fact that the floor is vacant, the occupancy rate after deducting the leased area of the third floor is 82.8%.

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TSUTAYA Sakai-minami (Leasehold land)		Property number	16204	Use	Commercial
Overview of Specified Asset					
Type of Specified Asset		Real estate trust beneficial interest*		Anticipated Transfer Date	June 27, 2024
				Anticipated Transfer Price	974 million yen
Land	Location	184-1, Daisennishimachi 6-cho, Sakai Sakai-ku, Osaka		Construction Period	(i) July 28, 2006 (ii) August 17, 2006
	Residence Indication	184-1, Daisennishimachi 6, Sakai Sakai-ku, Osaka			
	Area	4,406.04 m ²		Structure and Number of Stories	(i) Alloy-plated, steel sheet-roofed steel-framed with two stories (ii) Zinc-coated steel sheet-roofed, Steel-framed flat Building
	Use District	Industrial district		Total Floor Area	(i) 1,648.59 m ² (ii) 175.80 m ²
	Building Coverage Ratio	60%		Use	(i) shops (ii) shops
	Floor-area Ratio	200%			
	Type of Ownership	Ownership		Type of Ownership	Ownership (owned by the lessee of the land)
Master Lease Company		-		Type of Maser Lease	-
PM Company		ES-CON PROPERTY Ltd.		Trustee	Resona Bank, Limited.
Status of Lease					
Name of Lessee		taiseido Ltd.		Total Leasable Area	4,406.04 m ²
Type of Contract/Number of Tenants		Fixed-term business land lease contract / 1		Total Leased Area	4,406.04 m ²
Term of Contract		January 31, 2006 to January 30, 2026		Monthly Rent	3 million yen
Occupancy Rate		100.0%		Lease Deposit/Guarantee Deposit	29 million yen
Rent Revision		The rent shall be determined upon negotiation every three years after the lease commencement date, taking into consideration fluctuations in taxes and public dues and other expenses, changes in economic conditions and market rents in the vicinity.			
Contract Renewal		The lease term shall not be extended due to the renewal of the lease and the reconstruction of the building.			
Termination		After the end of March 2016, this lease may be terminated upon negotiation on the conditions for termination by making a request at least 12 months prior to the desired cancellation date if the lessor and the lessee have agreed.			
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					
Not applicable					

* This real estate trust beneficial interest is a beneficial interest in a trust in which mainly 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.

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LIFE Daisen (leasehold land)		Property number	16205	Use	Commercial	
Overview of Specified Asset						
Type of Specified Asset		Real estate trust beneficial interest*		Anticipated Transfer Date	June 27, 2024	
				Anticipated Transfer Price	3,325 million yen	
Land	Location	6-183 Daisen nishimachi, Sakai-ku, Sakai-shi, Osaka and two other lots		Building	Construction Period	(i) March 12, 2004
	Residence Indication	6-183 Daisen nishimachi 6, Sakai-ku, Sakai-shi, Osaka				(ii) October 25, 1999
	Area	9,264.48 m ²			Structure and Number of Stories	(i) Slate-roofed steel-framed structure with two stories
	Use District	Industrial District				(ii) Flat-roofed steel-framed structure with two stories
	Building Coverage Ratio	60%			Total Floor Area	(i) 718.66 m ²
	Floor-area Ratio	200%				(ii) 9,979.61 m ²
	Type of Ownership	Ownership			Use	(i) Shops
Master Lease Company	-		(ii) Shops, warehouse			
PM Company	ES-CON PROPERTY Ltd.		Type of Maser Lease	-		
Status of Leasing						
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	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.						

* 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.

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4. Overview of the Real Estate Appraisal Report

Overview of the Real Estate Appraisal Report		
Property name	tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)	
Appraisal value	8,130,000 thousand yen	
Appraisal firm	JLL Morii Valuation & Advisory K.K.	
Date of value	February 29, 2024	
Items	Details (thousand yen)	Remarks
Revenue price	8,130,000	
Value calculated using DC method	8,250,000	
(1) Operating income (a) – (b) – (c)	686,618	
(a) Effective gross income	715,651	
(b) Vacancy losses	29,033	
(c) Bad debt loss	-	
(2) Operating expenses (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)	283,521	
(d) Maintenance and management fee	54,644	Judged the current contract amount to be reasonable and recorded it.
(e) Utility expenses	133,291	Recorded based on the current contract amount and revenue/expense forecasts.
(f) Repair expenses	4,212	Judged the ER estimate to be reasonable and recorded it.
(g) Property management fee	38,280	Judged the current contract amount to be reasonable and recorded it.
(h) Tenant solicitation expenses, etc.	3,310	Recorded based on tenant recruitment costs for similar real estate.
(i) Property tax and public dues	43,819	Assessed based on past performance amounts.
(j) Insurance premium	1,765	Judged the presented materials to be reasonable and recorded it.
(k) Other expenses	4,200	Recorded based on promotional cooperation funds, etc.
(3) Net operating income (NOI = (1) - (2))	403,097	
(4) Financial interests on refundable deposits	2,542	Assessed based on the amount of security deposits for full occupancy, etc.
(5) Capital expenditure	9,827	Judged the ER estimate to be reasonable and recorded it.
(6) Net cash flow (NCF = (3) + (4) - (5))	395,812	
(7) Capitalization rate	4.8%	
Value calculated using DCF method	8,000,000	
Discount rate	4.6%	
Terminal capitalization rate	5.0%	
Cost method value	7,370,000	
Percentage of land	54.7%	
Percentage of building	45.3%	
Other matters to which the appraisal firm paid attention for appraisal	Not applicable.	

* 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.

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Overview of the Real Estate Appraisal Report		
Property name	Hasekura Medical Building	
Appraisal value	1,480,000 thousand yen	
Appraisal firm	Japan Real Estate Institute	
Date of value	April 1, 2024	
Items	Details (thousand yen)	Remarks
Revenue price	1,480,000	
Value calculated using DC method	1,490,000	
(1) Operating income (a) – (b) – (c)	97,310	
(a) Effective gross income	102,430	
(b) Vacancy losses	5,120	
(c) Bad debt loss	-	
(2) Operating expenses (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)	28,283	
(d) Maintenance and management fee	5,000	Recorded based on past performance amounts and maintenance costs for similar real estate, considering the individuality of the subject property.
(e) Utility expenses	12,500	Recorded based on past performance amounts, considering rental area occupancy rate, etc.
(f) Repair expenses	917	Recorded in the engineering report based on past performance amounts, future management and operation plans, cost levels of similar real estate, and the average annual amount of repair and renewal costs.
(g) Property management fee	1,289	In assessing the property management fee, which is the commission fee paid to the contractor overseeing tenant management and building management operations, recorded by considering the fee rates for similar real estate and the individuality of the subject property.
(h) Tenant solicitation expenses, etc.	619	Recorded the average annual amount assessed based on the expected turnover period of tenants for costs incurred in brokerage and advertising for new tenant recruitment.
(i) Property tax and public dues	7,476	Recorded the tax amount by considering public dues and charges-related materials and the contents of burden adjustment measures.
(j) Insurance premium	482	Recorded by considering insurance rates, etc., for buildings similar to the subject building.
(k) Other expenses	-	
(3) Net operating income (NOI = (1) - (2))	69,027	
(4) Financial interests on refundable deposits	291	Assessed the long-term stable security deposit amount based on current rental conditions and the number of months of deposit at the time of new contracts, multiplied by the occupancy rate, and applied an operational yield to this amount to assess the operational profit from the lump sum. The operational yield considered appropriate for fund management during the deposit period is assessed by considering operational and procurement interest rate levels.
(5) Capital expenditure	2,190	Renewal costs necessary to maintain the building's functionality are assessed by considering the expected future expenditures to be averaged annually, capital expenditure levels for similar real estate, building age, and the average annual repair and renewal costs in the engineering report.

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	(6) Net cash flow (NCF = (3) + (4) - (5))	67,128	
	(7) Capitalization rate	4.5%	
	Value calculated using DCF method	1,470,000	
	Discount rate	4.3%	
	Terminal capitalization rate	4.6%	
	Cost method value	1,420,000	
	Percentage of land	59.0%	
	Percentage of building	41.0%	
Other matters to which the appraisal firm paid attention for appraisal	Not applicable.		

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Overview of the Real Estate Appraisal Report		
Property name	fab Minamiosawa	
Appraisal value	4,310,000 thousand yen	
Appraisal firm	DAIWA REAL ESTATE APPRAISAL CO., LTD.	
Date of value	March 31, 2024	
Items	Details (thousand yen)	Remarks
Revenue price	4,310,000	
Value calculated using DC method	4,440,000	
(1) Operating income (a) – (b) – (c)	317,627	
(a) Effective gross income	322,438	
(b) Vacancy losses	4,810	
(c) Bad debt loss	-	
(2) Operating expenses (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)	123,913	
(d) Maintenance and management fee	29,007	Assessed and recorded the monthly cost per rentable area based on past performance amounts.
(e) Utility expenses	61,067	Assessed and recorded the monthly cost per rentable area based on past performance amounts.
(f) Repair expenses	5,734	Judged the ER estimate to be reasonable and recorded it.
(g) Property management fee	4,800	Judged the current contract amount to be reasonable and recorded it.
(h) Tenant solicitation expenses, etc.	996	Recorded based on tenant recruitment costs for similar real estate.
(i) Property tax and public dues	15,026	Assessed based on past performance amounts.
(j) Insurance premium	1,941	Judged the presented materials to be reasonable and recorded it.
(k) Other expenses	5,341	Recorded based on promotional expenses, etc.
(3) Net operating income (NOI = (1) - (2))	193,713	
(4) Financial interests on refundable deposits	2,357	Assessed the operational yield by comprehensively considering operational and procurement aspects regarding the actual state of lump sum management.
(5) Capital expenditure	9,549	Judged the amount, including the CM fee for the average annual renewal costs over 12 years according to the ER, to be reasonable and recorded it.
(6) Net cash flow (NCF = (3) + (4) - (5))	186,521	
(7) Capitalization rate	4.2%	
Value calculated using DCF method	4,260,000	
Discount rate	4.0%	
Terminal capitalization rate	4.4%	
Cost method value	4,120,000	
Percentage of land	71.4%	
Percentage of building	28.6%	
Other matters to which the appraisal firm paid attention for appraisal	Not applicable.	

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Overview of the Real Estate Appraisal Report		
Property name	Yoshizuya Y Store Nishiharu	
Appraisal value	2,260,000 thousand yen	
Appraisal firm	DAIWA REAL ESTATE APPRAISAL CO., LTD.	
Date of value	January 31, 2024	
Items	Details (thousand yen)	Remarks
Revenue price	2,260,000	
Value calculated using DC method	2,280,000	
(1) Operating income (a) – (b) – (c)	246,267	
(a) Effective gross income	249,382	
(b) Vacancy losses	3,115	
(c) Bad debt loss	-	
(2) Operating expenses (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)	108,562	
(d) Maintenance and management fee	34,725	Judged the past performance amount to be reasonable and recorded it.
(e) Utility expenses	3,588	Judged the past performance amount to be reasonable and recorded it.
(f) Repair expenses	20,471	Judged the average annual long-term repair costs recorded in the ER to be reasonable and recorded it.
(g) Property management fee	8,262	Judged the current contract amount to be reasonable and recorded it.
(h) Tenant solicitation expenses, etc.	1,380	Recorded based on tenant recruitment costs for similar real estate.
(i) Property tax and public dues	32,801	Assessed based on past performance amounts.
(j) Insurance premium	5,644	Judged the past performance amount to be reasonable and recorded it.
(k) Other expenses	1,688	Recorded based on maintenance costs and other miscellaneous expenses as a contingency fund.
(3) Net operating income (NOI = (1) - (2))	137,704	
(4) Financial interests on refundable deposits	1,717	Assessed the operational yield by comprehensively considering operational and procurement aspects regarding the actual state of lump sum management.
(5) Capital expenditure	25,429	Judged the average annual long-term renewal costs recorded in the ER to be reasonable and recorded it.
(6) Net cash flow (NCF = (3) + (4) - (5))	113,992	
(7) Capitalization rate	5.0%	
Value calculated using DCF method	2,250,000	
Discount rate	4.8%	
Terminal capitalization rate	5.2%	
Cost method value	4,800,000	
Percentage of land	62.5%	
Percentage of building	37.5%	
Other matters to which the appraisal firm paid attention for appraisal	Not applicable.	

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Overview of the Real Estate Appraisal Report			
Property name	TSUTAYA Sakai-minami (leasehold land)		
Appraisal value	1,040,000 thousand yen		
Appraisal firm	JLL Morii Valuation & Advisory K.K.		
Date of value	January 31, 2024		
Items	Details (thousand yen)	Remarks	
Revenue price	1,040,000		
Value calculated using DC method	-	Appraised using the DCF method only*	
(1) Operating income (a) – (b) – (c)	-		
(a) Effective gross income	-		
(b) Vacancy losses	-		
(c) Bad debt loss	-		
(2) Operating expenses (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)	-		
(d) Maintenance and management fee	-		
(e) Utility expenses	-		
(f) Repair expenses	-		
(g) Property management fee	-		
(h) Tenant solicitation expenses, etc.	-		
(i) Property tax and public dues	-		
(j) Insurance premium	-		
(k) Other expenses	-		
(3) Net operating income (NOI = (1) - (2))	-		
(4) Financial interests on refundable deposits	-		
(5) Capital expenditure	-		
(6) Net cash flow (NCF = (3) + (4) - (5))	-		
(7) Discount rate	-		
(8) Terminal capitalization rate	-		
Value calculated using DCF method	1,040,000	Analyzing income and expense items based on leasehold right establishment contracts, etc., organizing and assessing the current contract conditions, assumed content, trends, etc., for the application of the income approach, and determining the price by adding the present value of the reversion value to the total present value of net income	
Discount rate	4.5%	Standard method derived from comparison with discount rates of similar real estate, considering investor interviews, assessing based on the current land rent level	
Terminal capitalization rate	-	Since the reversion value is derived from the land residual method and the transaction comparison method, the final capitalization rate is not used	
Cost method value	-		
Percentage of land	-		
Percentage of building	-		
Other matters to which the appraisal firm paid attention for appraisal	Not applicable.		

* The appraisal value of land with leasehold interest is determined in accordance with the Real Estate Appraisal Standards by correlating the comparable value based on the transaction case comparison method and the income value based on the DCF method. However, land with a fixed-term commercial leasehold is valued using the DCF method because it is difficult to value the land using a comparable price due to the individual nature of the leasehold.

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Overview of the Real Estate Appraisal Report		
Property name	LIFE Daisen (leasehold land)	
Appraisal value	3,070,000 thousand yen	
Appraisal firm	DAIWA REAL ESTATE APPRAISAL CO., LTD.	
Date of value	January 31, 2024	
Items	Details (thousand yen)	Remarks
Revenue price	3,070,000	
Value calculated using DC method (method over a definite term)	3,070,000	Judged that the income price by the DCF method is supported by the income price by the finite capitalization method and calculated
(1) Operating income (a) – (b) – (c)	144,000	Assessing the income price by the finite capitalization method by capitalizing standardized net income, which is recognized as stable in the mid-to long-term, using the discount rate
(a) Effective gross income	-	
(b) Vacancy losses	-	
(c) Bad debt loss	-	
(2) Operating expenses (d) + (e) + (f) + (g) + (h) + (i) + (j) + (k)	9,416	
(d) Maintenance and management fee	-	Not recorded due to being leasehold land only
(e) Utility expenses	-	Not recorded due to being leasehold land only
(f) Repair expenses	-	Not recorded due to being leasehold land only
(g) Property management fee	600	Recorded considering the PM fee levels of the current contract and similar real estate
(h) Tenant solicitation expenses, etc.	-	Not recorded due to being leasehold land only
(i) Property tax and public dues	8,816	Assessed based on actual amounts
(j) Insurance premium	-	Not recorded due to being leasehold land only
(k) Other expenses	-	Not recorded due to being leasehold land only
(3) Net operating income (NOI = (1) - (2))	134,583	
(4) Financial interests on refundable deposits	720	Recorded with an annual operating yield of 1.0%
(5) Capital expenditure	-	Not recorded due to being leasehold land only
(6) Net cash flow (NCF = (3) + (4) - (5))	135,303	
(7) Capitalization rate*	4.3%	
Value calculated using DCF method	3,070,000	Analyzing income and expense items based on leasehold right establishment contracts, etc., organizing and assessing the current contract conditions, assumed content, trends, etc., for the application of the income approach, and determining the price by adding the present value of the reversion value to the total present value of net income
Discount rate	4.3%	Standard method derived from comparison with discount rates of similar real estate, considering investor interviews, assessing based on the current land rent level
Terminal capitalization rate	-	Since the reversion value is derived from the land residual method and the transaction comparison method, the final capitalization rate is not used
Cost method value	-	
Percentage of land	-	
Percentage of building	-	
Other matters to which the appraisal firm paid attention for appraisal	Not applicable.	

* For the capitalization rate, the discount rate based on the capitalization method over a definite term (Inwood method) is stated.

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5. Overview of Scheduled Acquisition Sources and Transferee

(1) Overview of Scheduled Acquisition Sources

16103 tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)

- (a) Name Chuden Real Estate Co., Inc.
- (b) Location 2-2-5, Sakae, Naka-ku, Nagoya-shi, Aichi
- (c) Position and name of representative Shoichi Okamoto (President and Representative Director)
- (d) Business lines Real estate business, Construction business, Operation of facilities, Environmental greening
- (e) Capital 100 million yen (FY2024/3)
- (f) Established April 20, 1957
- (g) Net assets 50,182 million yen (FY2023/3)
- (h) Total assets 83,252 million yen (FY2023/3)
- (i) Major shareholder Chubu Electric Power Co., Inc. (100.0%) (as of March 31, 2024)
- (j) Relationships between ESCON REIT and the Asset Manager and the company
- Capital relationship The company is a wholly-owned subsidiary of Chubu Electric Power Co., Inc., the ultimate parent company of the Asset Manager.
- Personnel relationship Not applicable
- Business relationship The company signed a support agreement with ESCON REIT and the Asset Manager on September 27, 2019 (including subsequent amendments).
The company is a wholly-owned subsidiary of Chubu Electric Power Co., Inc., the ultimate parent company of the Asset Manager, and is considered a related party.
- Status as a Related Party Additionally, the company is considered an interested party as defined by the Investment Trusts Act and is an interested party under the Asset Manager's internal regulations. 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 this asset.

39101 Hasekura Medical Building

- (a) Name QOL Bridge 2 LLC
- (b) Location 7-6-15 Akasaka, Minato-ku, Tokyo
- (c) Position and name of representative Representative Member: Let's Live the Life We Wanted 2, General Incorporated Association
- (d) Business lines Real estate sales, exchange, leasing, management, ownership, and utilization
- (e) Capital 0.1 million yen (FY2023/12)
- (f) Established April 5, 2019
- (g) Net assets 500 million yen (FY2023/12)
- (h) Total assets 1,300 million yen (FY2023/12)
- (i) Major shareholder Let's Live the Life We Wanted 2, General Incorporated Association
- (j) Relationships between ESCON REIT and the Asset Manager and the company
- Capital relationship Not applicable
- Personnel relationship Not applicable
- Business relationship Not applicable
- Status as a Related Party Not applicable

13103 fab Minamiosawa

The acquisition source is a domestic corporation, but it is not listed because ESCON REIT has not obtained consent

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for disclosure. This domestic corporation does not fall under interested parties as defined in Article 201, Paragraph 1 of the Investment Trusts Act. It is not an interested party under the Interested party transaction regulations of the Asset Manager. Furthermore, there are no capital, personnel, or business relationships to be noted between this domestic corporation and ESCON REIT or the Asset Manager, and it does not fall under related parties of ESCON REIT or the Asset Manager.

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(2) Overview of Transferee

15101 Yoshizuya Y Store Nishiharu, 16204 TSUTAYA Sakai-minami (leasehold land), 16205 LIFE Daisen (leasehold land)

- (a) Name ES-CON JAPAN Ltd.
 - (b) Location 2-10-4, Toranomom, Minato-ku, Tokyo
 - (c) Position and name of representative Takatoshi Ito (President and Representative Director)
 - (d) Business lines Business of planning, developing, and selling condominiums and commercial facilities, leasing business of owned properties, property management business, condominium management business, real estate-related business consignment, planning, brokerage, consulting business, and real estate investment advisory business
 - (e) Capital 16,519 million yen (FY2024/3, consolidated basis)
 - (f) Established April 18, 1995
 - (g) Net assets 79,702 million yen (FY2024/3, consolidated basis)
 - (h) Total assets 39,906 million yen (FY2024/3, consolidated basis)
 - (i) Major shareholder Chubu Electric Power Co., Inc. (51.3%, consolidated basis)
 - (j) Relationships between ESCON REIT and the Asset Manager and ES-CON JAPAN
 - Capital relationship The Asset Manager is 100% owned by ES-CON JAPAN.
 - Personnel relationship As of today, 12 Asset Manager employees (excluding officers) are seconded from ES-CON JAPAN.
 - Business relationship ES-CON JAPAN signed a sponsor support agreement with ESCON REIT and the Asset Manager (including subsequent amendments). ES-CON JAPAN has a master lease agreement with ESCON REIT.
- Status as a Related Party ES-CON JAPAN is the parent company of the Asset Manager and is a related party. Furthermore, ES-CON JAPAN falls under interested parties as defined by the Investment Trusts Act. It is also an interested party under the interested party transaction regulations of the Asset Manager, so it has gone through the decision-making procedures stipulated in the interested party transaction regulations to conduct this transfer transaction.

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6. 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 (million yen) Time of acquisition (transfer)		
tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition) (3-12 Saiwaicho, Yamatotakadashi, Nara and five other lots)	1. Chuden Real Estate Co., Inc. 2. Support company of the Asset Manager 3. Acquisition as a warehousing function	1. ES-CON JAPAN Ltd. 2. Parent company of the Asset Manager 3. Acquisition for redevelopment purposes	Other than those with special interests
	Omitted because it has been owned for more than a year	Omitted because it has been owned for more than a year	—
	February 2020	July 2015	—
Hasekura Medical Building (410 Hasekuracho, Aobaku, Sendai-shi, Miyagi Prefecture)	Other than those with special interests	Other than those with special interests	Other than those with special interests
	—	—	—
	—	—	—
Fab Minamiosawa (2-3 Minamiosawa, Hachioji-shi, Tokyo)	Other than those with special interests	Other than those with special interests	Other than those with special interests
	—	—	—
	—	—	—

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7. Transactions with interested parties

ESCON REIT plans to transfer three Assets to be Transferred to ES-CON JAPAN, which falls under interested parties as defined in Article 201, Paragraph 1 of the Investment Trusts Act and Article 123 of the Enforcement Order of the Investment Trusts Act, as well as under the interested party transaction regulations of the Asset Manager and plans to acquire one asset from Chuden Real Estate. The overview of each transaction is as follows: In selecting the transferee of the three Assets to be Transferred, the Asset Manager received offer amounts from multiple candidates and selected ES-CON JAPAN, which had the highest offer amount for all properties, as the transferee. Furthermore, in conducting asset acquisition transactions with ES-CON JAPAN and Chuden Real Estate, the Asset Manager has followed the decision-making procedures stipulated in the interested party transaction regulations.

Assets to be Acquired	Anticipated Acquisition Price (Million yen) *	Appraisal Value (million yen)	Acquisition Source
tonarie Yamatotakada (quasi co-ownership interest of 50%) (additional acquisition)	4,058	4,065	Chuden Real Estate Co., Inc.
Total	4,058	4,065	-

* The “Anticipated Acquisition Price” is the purchase price of each trust beneficiary interest as stated in each sales contract for the acquisition target assets, rounded down to the nearest million yen. The purchase price does not include consumption tax, local consumption tax, and other acquisition-related costs.

Assets to be Transferred	Anticipated Transfer Price (million yen) *1	Book Value at the end of period (million yen) *2	Valuation Price at the end of period (million yen) *3	Transferee
Yoshizuya Y Store Nishiharu	4,000	4,522	2,260	ES-CON JAPAN Ltd.
TSUTAYA Sakai-minami (leasehold land)	974	955	1,040	
LIFE Daisen (leasehold land)	3,325	2,758	3,070	
Total	8,300	8,236	6,370	-

*1 Each transfer asset's “Anticipated Transfer Price” is listed in the sale and purchase agreements for the respective trust beneficiary interests, rounded down to the nearest million yen. Therefore, the total of the “Anticipated Transfer Price” may not match the total of all Assets to be Transferred. Also, the anticipated transfer price does not include consumption tax, local consumption tax, or other costs associated with the transfer.

*2 The “Book Value at the end of the period” is listed as January 31, 2024, rounded down to the nearest million yen.

*3 The “Valuation Price at the end of the period” is the appraised value listed in the real estate appraisal report prepared by a real estate appraiser based on the asset evaluation methods and standards defined in the regulations of ESCON REIT and the rules set by the Investment Trust Association, as of January 31, 2024.

- Reason for Selling TSUTAYA Sakai-minami (leasehold land) at a Price Lower than the Appraisal Value
As mentioned in “1. Reasons for the Transaction, Regarding the Transfer of “Yoshizuya Y Store Nishiharu”, “LIFE Daisen (leasehold land)”, and “TSUTAYA Sakai-minami (leasehold land)””, since a loss on transfer will be recorded if “Yoshizuya Y Store Nishiharu” is transferred, it became necessary to transfer additional properties with unrealized profits to offset the transfer loss. Therefore, the Asset Manager selected “LIFE Daisen (leasehold land)” and “TSUTAYA Sakai-minami (leasehold land)” as additional transfer candidates to maintain the distribution

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level to unitholders. “LIFE Daisen (leasehold land)” has substantial unrealized profits by itself, and since it is adjacent to “TSUTAYA Sakai-minami (leasehold land)”, transferring both together could obtain high potential to maximize their transfer price, which is why they were selected as transfer candidates. Additionally, the fixed-term lease contract for “TSUTAYA Sakai-minami (leasehold land)” ends in late January 2026. After this period, there may be delays in attracting a new leaseholder. Even if a new leaseholder is attracted, there is a high possibility that the leaseholder's cash flow during the construction period of new buildings will significantly worsen compared to the current fixed-term lease contract, making it highly likely that this property will need to be considered for transfer in the future. Thus, it was selected as a transfer candidate.

Based on these considerations, multiple brokerage firms were consulted regarding the anticipated transfer price of “LIFE Daisen (leasehold land)” and “TSUTAYA Sakai-minami (leasehold land)”. It was confirmed that it is possible to offset the transfer loss incurred by transferring “Yoshizuya Y Store Nishiharu”. Hence, the Asset Manager we conducted a fair, competitive bidding process by approaching about 170 potential buyers, including real estate developers, general business companies, and investors through our sponsor, ES-CON JAPAN, and multiple intermediaries. As a result, multiple companies submitted offers, and ES-CON JAPAN submitted the highest offer of 4,300 million yen for the combined purchase of both properties (“LIFE Daisen (leasehold land)” 3,325 million yen, “TSUTAYA Sakai-minami (leasehold land)” 974 million yen). Other bidders submitted offers lower than ES-CON JAPAN for both properties.

Regarding the fact that the offered price for “TSUTAYA Sakai-minami (leasehold land)” (974 million yen) is below the appraisal value (1,040 million yen), the Asset Manager considered the discrepancy based on relevant laws and internal rules and concluded the following.

(1) As previously mentioned, it may take time to attract a new leaseholder for “TSUTAYA Sakai-minami (leasehold land)”, and among the approximately 170 potential transfer candidates contacted, no candidates planned to continue operating the property in its current state. The other bidders were several real estate developers, and given the recent surge in construction costs and inflation, the buyers' future uncertainty is high. Consequently, the buyers' the property's evaluation price is lower than the value calculated using continuous appraisal, which does not consider these elements.

To verify the offered price, the Asset Manager calculated the price based on the premise of redevelopment, considering the recent surge in construction costs and inflation. The result of this calculation was lower than the offered price.

(2) Given the results of the fair, competitive bidding process with numerous transfer candidates, the offered price is considered to adequately reflect market conditions. The highest bidder, ES-CON JAPAN, set the condition that if they purchase “TSUTAYA Sakai-minami (leasehold land)”, ES-CON JAPAN will buy it together with the adjacent “LIFE Daisen (leasehold land)”. Therefore, it is clear from the results of the above bidding that a lower price would have to be paid if “TSUTAYA Sakai-minami (leasehold land)” were sold individually to different potential sellers, and the above asking price is the price that maximizes the value of both properties.

(3) The appraisal value is calculated using the income approach based mainly on the DCF method, a valuation method for securitized real estate that discounts the cash flow generated during the holding period and at the time of transfer to present value.

On the other hand, multiple bidders who submitted purchase offers were real estate developers. In cases where there is future uncertainty, the price based on the premise of redevelopment can be lower enough than the price calculated using the income approach, based mainly on the DCF method. This is a reasonable reason for the price difference.

Considering the above, the Asset Manager judged that although the offered price is lower than the appraisal value, it adequately reflects market conditions and is reasonable.

The Asset Manager determined that it is necessary to transfer not only “Yoshizuya Y Store Nishiharu” but also “TSUTAYA Sakai-minami (leasehold land)” to avoid risks that could adversely affect the future financial condition

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and operating performance of ESCON REIT. As mentioned above, it is difficult to keep “TSUTAYA Sakai-minami (leasehold land)” and transfer only “LIFE Daisen (leasehold land)”. Therefore, the transfer of “TSUTAYA Sakai-minami (leasehold land)” is deemed to be in ESCON REIT's and its unitholders' best interest.

By transferring the three Assets to be Transferred (totaling 8,300 million yen), (1) the risk of recording an impairment loss on “Yoshizuya Y Store Nishiharu” in the future, which could adversely affect the financial condition and operating performance of ESCON REIT, can be avoided, (2) Maximize the transfer gains from “LIFE Daisen (leasehold land)” and “TSUTAYA Sakai-minami (leasehold land)”, which have substantial unrealized profits, through a fair, competitive bidding process, thereby securing the distribution funds to fully can wholly cover the transfer loss from “Yoshizuya Y Store Nishiharu”, and (3) the risk of cash flow deterioration due to the termination of the fixed-term lease contract for “TSUTAYA Sakai-minami (leasehold land)” in late January 2026 can be avoided.

Furthermore, if the transfer is executed, ESCON REIT's asset size and NOI after depreciation would decrease. To compensate for this, ESCON REIT plans to utilize the transfer proceeds from the Assets to be Transferred, the proceeds from the third-party allotment, and a part of its own funds to acquire the three acquisition assets (totaling 9,058 million yen) as mentioned in “1. Reasons for the Transaction, Regarding the Transfer of “Yoshizuya Y Store Nishiharu”, “LIFE Daisen (leasehold land)””.

As a result, the NOI after depreciation (annual)^{*1} will increase by 99 million yen, and the unrealized profits^{*2} will increase by 2,409 million yen. The Asset Manager believes this transaction will improve the portfolio, enhance its overall profitability, and maximize the value for unitholders.

*1 The “NOI after depreciation (annual)” for acquired assets and Assets to be Transferred 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 less than 1 million yen are rounded down to the nearest million yen.

*2 The “Unrealized profits” for acquired assets and Assets to be Transferred are the difference between their appraisal values as of January 31, 2024 and the book values as of the end of the fiscal period. Among the Assets to be Acquired, the unrealized profits for tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition), Hasekura Medical Building, and fab Minamiosawa are the difference between their appraisal values 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 less than 1 million yen are rounded down to the nearest million yen.

8. Overview of Intermediary

(1) Three Assets to be Acquired

Acquisition of “tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)” and “Hasekura Medical Building” are not intermediary transactions. The acquisition of “fab Minamiosawa” is an intermediary transaction, but the details are omitted since the intermediary does not fall under an interested party.

(2) Three Assets to be Transferred

Transfer of “Yoshizuya Y Store Nishiharu”, “TSUTAYA Sakai-minami (leasehold land)” and “LIFE Daisen (leasehold land)” are not intermediary transactions.

9. Schedule of the Transaction

(1) Three Assets to be Acquired

May 31, 2024	Acquisition Decision
	Execution of trust beneficiary interests purchase agreement
June 28, 2024	Acquisition of trust beneficiary interests (Scheduled)
	Payment for acquisition (Scheduled)

(2) Three Assets to be Transferred

May 31, 2024	Transfer Decision
	Execution of trust beneficiary interests purchase agreement
June 27, 2024	Transfer of trust beneficiary interests (Scheduled)

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Payment for Transfer (Scheduled)

10. Settlement Methods

For the Assets to be Acquired, the acquisition price will be paid in a lump sum on the anticipated acquisition date.
For the property to be transferred, the transfer price is scheduled to be received in a lump sum on the anticipated transfer date.

11. 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, 2024 and January 31, 2025”

*ESCON REIT Website: <https://www.escon-reit.jp/en/>

[Reference]

Other press releases, etc. issued as of today.

- “Notice Concerning Issuance of New Investment Units through Third-Party Allotment”
- “Notice Concerning Revisions of Earnings Performance and Distribution Forecasts for the Fiscal Period Ending July 31, 2024 and January 31, 2025”
- “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)
- “Supplementary Material for Timely Disclosure Released on May 31, 2024 (2) (Notice Concerning Revisions of Earnings Performance and Distribution Forecasts for the Fiscal Period Ending July 31, 2024 and January 31, 2025)

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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	11201	YAMADA DENKI Tecc Land Sapporo Shiroishi	The Tanizawa Sogo Appraisal Co., Ltd.	1,300	1,330	1.8
	13101	Asumigaoka Brand-New Mall* ⁴	The Tanizawa Sogo Appraisal Co., Ltd.	3,200	3,200	4.5
		Asumigaoka Brand-New Mall (leasehold land)* ⁵			(i) 143 (ii) 150	
	13102	Nishi-shiroi Ekimae Plaza	DAIWA REAL ESTATE APPRAISAL CO., LTD.	451	470	0.6
	13201	K's Denki Oyumino (leasehold land)	JLL Morii Valuation & Advisory K.K.	2,710	2,890	3.9
	13202	Nitori Tsuchiura (leasehold land)	JLL Morii Valuation & Advisory K.K.	999	1,100	1.4
	13203	Nitori Imaichi (leasehold land)	JLL Morii Valuation & Advisory K.K.	363	410	0.5
	15201	MaxValu Kikyogaoka- higashi (leasehold land)	JLL Morii Valuation & Advisory K.K.	477	542	0.7
	16101	tonarie Minami-senri	The Tanizawa Sogo Appraisal Co., Ltd.	7,200	8,170	10.2
	16102	tonarie Seiwadai	DAIWA REAL ESTATE APPRAISAL CO., LTD.	3,290	3,350	4.7
	16103	tonarie Yamatotakada (50% quasi co-ownership)* ⁶	JLL Morii Valuation & Advisory K.K.	4,150	3,985	5.9
	16104	tonarie Toga • Mikita	DAIWA REAL ESTATE APPRAISAL CO., LTD.	6,986	6,970	9.9
	16201	LAMU Kitatsumori (leasehold land)	JLL Morii Valuation & Advisory K.K.	1,270	1,480	1.8
	16202	K's Denki Nishi-kobe (leasehold land)	JLL Morii Valuation & Advisory K.K.	2,133	2,470	3.0
	16203	Sanyo Marunaka Mitani (leasehold land)	JLL Morii Valuation & Advisory K.K.	1,430	1,540	2.0
	16206	TRIAL Omihachiman (leasehold land)	JLL Morii Valuation & Advisory K.K.	1,010	1,110	1.4
	16207	Kusuri no Aoki Ikaruga (leasehold land)* ⁷	JLL Morii Valuation & Advisory K.K.	711	(i) 702 (ii) 29	1.0
	16208	DRUG Yutaka Mukokamiueno (leasehold land)	JLL Morii Valuation & Advisory K.K.	460	477	0.7
	16209	WELCIA Amagasaki Mukomotomachi (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	565	577	0.8
	16210	Cocokara Fine Neyagawakoen (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	702	719	1.0
	16211	ENEOS Ikawadani SS (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	530	531	0.8
	16212	GEO Hikone Takamiya (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	300	305	0.4
	18101	SUROY MALL Nagamine	JLL Morii Valuation & Advisory K.K.	4,600	4,500	6.5
18201	MrMAX Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	3,387	3,970	4.8	
18202	UNIQLO Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	595	677	0.8	
18203	Avail.Shimamura Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	863	1,110	1.2	

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	Property No.	Property Name	Appraisal Firm	(Anticipated) Acquisition Price* ¹ (million yen)	Appraisal Value* ² (million yen)	Investment Ratio* ³ (%)
Assets Acquired	18204	au-Softbank Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	143	161	0.2
	18205	Kura Sushi Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	261	306	0.4
	18206	docomo Shop Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	160	183	0.2
	18207	Konpira Maru Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	236	266	0.3
	18208	One-Karubi Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	236	266	0.3
	18209	Suke-san Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	401	421	0.6
	18210	NAFCO Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	2,631	3,480	3.7
	18211	K's Denki Kasuga (leasehold land)	The Tanizawa Sogo Appraisal Co., Ltd.	1,487	1,870	2.1
	19101	Fuji Grand Natalie	DAIWA REAL ESTATE APPRAISAL CO., LTD.	3,950	4,100	5.6
	19201	K's Denki Kurashiki (leasehold land)	JLL Morii Valuation & Advisory K.K.	2,121	2,450	3.0
Assets to be Acquired	16103	tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition) * ⁸	JLL Morii Valuation & Advisory K.K.	4,058	4,065	5.8
	39101	Hasekura Medical Building	Japan Real Estate Institute	1,400	1,480	2.0
	13103	fab Minamiosawa	DAIWA REAL ESTATE APPRAISAL CO., LTD.	3,600	4,310	5.1
	Total		—	70,373	76,265	100.0

*1 The “(Anticipated) Acquisition Price” includes the purchase price of each trust beneficiary interest as stated in each trust beneficiary interests sales contract related to the Assets to be Acquired and Assets to be Transferred, rounded down to the nearest million yen. Therefore, the “(Anticipated) Acquisition Price” may not match the overall total. The purchase price does not include consumption tax, local consumption tax, and other acquisition-related costs.

* 2 For assets acquired, the “Appraisal Value” is based on the appraisal report prepared by a real estate appraiser as of January 31, 2024, according to the asset valuation method and standards stipulated in ESCON REIT’s regulations and the rules set by the Investment Trusts Association. Among the Assets to be Acquired, the appraisal value of “tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)” is based on February 29, 2024, the appraisal value of “Hasekura Medical Building” is based on April 1, 2024, and the appraisal value of “fab Minamiosawa” is based on March 31, 2024. These values are rounded down to the nearest million yen. Therefore, the total of the “Appraisal Values” may not match the overall total.

* 3 The “Investment Ratio” indicates the ratio of the (Anticipated) Acquisition Price of each asset to the total acquisition price, rounded to one decimal place. Therefore, the total of the Investment Ratio may not be in conformity with the total investment ratio.

* 4 The “Appraisal Value” of “Asumigaoka Brand-New Mall” does not include the building portion owned by Akindo Sushiro Co., Ltd. (hereinafter “Akindo Sushiro”), which ESCON REIT acquired as of April 30, 2024.

* 5 “Asumigaoka Brand-New Mall (leasehold land)” is subject to business term leasehold agreements with two tenants, Akindo Sushiro and McDonald’s Holdings Company (Japan), Ltd. (hereinafter referred to as “McDonald’s Japan”). The “Appraisal Value” is stated for each portion related to Akindo Sushiro as (i) and McDonald’s Japan as (ii). Furthermore, ESCON REIT acquired the building owned by Akindo Sushiro on April 30, 2024, for free, and the business term leasehold agreement for the leasehold land portion of the building ended on the same date.

* 6 The appraisal for the assets acquired “tonarie Yamatotakada (50% quasi co-ownership)” is based on the asset being a 50% joint ownership interest in the trust beneficiary interests. The “Appraisal Value” stated in the real estate appraisal report as of January 31, 2024, is not a 100% evaluation of the target real estate.

* 7 “Kusuri no Aoki Ikaruga (leasehold land)” is subject to business term leasehold agreements with two tenants, Kusuri no Aoki Co., Ltd. (hereinafter referred to as “Kusuri no Aoki”) and Ikaritombo Co., Ltd. (hereinafter referred to as “Ikaritombo”). The “(Anticipated) Acquisition Price” and “Investment Ratio” are stated as the combined amounts and figures for the two tenants. In addition, the “Appraisal Value” is stated for each portion related to Kusuri no Aoki as (i) and Ikaritombo as (ii).

* 8 For “tonarie Yamatotakada (50% quasi co-ownership) (additional acquisition)”, the “Appraisal Value” is calculated by multiplying the appraised value assuming 100% ownership by the 50% ownership ratio.

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