

December 16, 2022

To All Concerned Parties

Investment Corporation  
ESCON JAPAN REIT Investment Corporation  
Representative: Atsumu Sasaki  
(Securities Code: 2971)

Asset Manager  
ES-CON ASSET MANAGEMENT Ltd.  
Representative: Takeharu Kagiyama  
President and Representative Director  
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Notice Concerning ESCON REIT's Response Concerning Liability Claims Against the Asset  
Manager

ES-CON Japan REIT Investment Corporation (hereinafter "ESCON REIT") hereby announces that it has decided today to take the following actions concerning actions to enforce liability regarding the breach of fiduciary duty of loyalty committed by ES-CON Asset Management, Ltd. (Hereinafter, the "Asset Manager"), which is the asset management company for ESCON REIT.

1. Details of This Matter

On July 15, 2022, the Asset Manager was found to have violated its duty of loyalty as stipulated in Article 42, Paragraph 1 of the Financial Instruments and Exchange Act by improperly undermining the independence of real estate appraisers and conducting an inappropriate real estate appraiser selection process, and received a business suspension order and a business improvement order pursuant to Article 51 and Article 52, Paragraph 1 of the Financial Instruments and Exchange Act (for details, please refer to the "Notice Concerning Administrative Disposition Against the Asset Manager" dated July 15, 2022).

Since the administrative disposition, the Asset Manager has been improving its business operations in accordance with the above-mentioned order, and has also conducted various investigations to confirm whether there were any other violations of its duty of loyalty other than those identified at the time of the administrative disposition. While the Asset Manager was conducting the investigation, ESCON REIT received a request from one individual unitholder dated October 12, 2022 to file an action to enforce liability against the Asset Manager. In response to this request, ESCON REIT commissioned an investigation (the "Investigation") by an outside law firm that has no interest in the asset manager, etc., and has secured its independence. Upon receiving a report on the results of the objective and rigorous investigation, and taking the following measures to ensure fairness, we have been considering whether or not to pursue liability claims against the Asset Manager.

<Overview of Measures to Ensure Fairness>

Among the directors of ESCON REIT, Atsumu Sasaki, who is Executive Director, is also an employee of the Asset Manager. Therefore, it was decided that the decision on whether or not to take action to hold the Asset Manager liable would be made solely by the two supervisory directors, who are independent directors with no interest in the Asset Manager, and that Executive Director Atsumu Sasaki would not be involved in the decision-making process.

2. About the Investigation

ESCON REIT commissioned an outside law firm with no interest in the Asset Manager, etc. to conduct an investigation as described below, to determine whether or not the Asset Manager has breached its duty of loyalty and whether or not any damage has occurred, covering all property acquisitions held by ESCON REIT.

<Overview of the Investigation>

Entrusted Matters	(1) Conduct an investigation into whether or not the Asset Manager has breached its duty of loyalty in the acquisition of ESCON REIT's properties, and (2) if it is found to have breached its duty of loyalty, whether or not ESCON REIT has incurred damages that have a reasonable causal relationship with the breach of duty.
Investigation Period	From October 21, 2022 to December 7, 2022
Investigation Method	Conduct an investigation of the above entrusted matters by examining the materials provided by the Asset Manager and the results of inquiries made to the persons in charge of the Asset Manager at the time of property acquisitions and other related persons, covering all properties owned by ESCON REIT.

An overview of the results of the Investigation is as follows.

(1) When real estate is appraised by a real estate appraiser, the appraised value is calculated as a specific price. However, there is a certain range in the appropriate appraised value of real estate, as evidenced by the fact that different appraisers sometimes value the same property differently. However, even if the appraised value is within the range of appropriate appraised values for the property in question, if it is found that the acquisition price of a property determined by referring to the appraised value increased due to a breach of duty of loyalty, there is damage due to the breach. As a result of the Investigation conducted based on this approach, it was found that damage was caused to ESCON REIT in regard to the following three properties, due to the Asset Manager's breach of their duty of loyalty by improperly making efforts to undermine the independence of real estate appraisers. The total amount of such damages was found to be 666 million yen.

Property Name	Amount of Damages
tonarie Toga · Mikita	340 million yen
SUROY MALL Nagamine	300 million yen
ENEOS Ikawadani SS (Leasehold land)	26 million yen
Total	666 million yen

(Note) Although it was not found that the appraisal values submitted by the real estate appraisers for these three properties were inappropriate for each of the properties concerned, it was determined that this does not imply that no damage was caused to ESCON REIT.

The breach of duty of loyalty regarding the three properties for which such damages were found to have occurred is identical to the breach of duty of loyalty regarding the three properties found in the above-mentioned administrative disposition dated July 15, 2022, both in terms of the specific properties and the specific conduct involved.

(2) Other than the three properties listed in (1) above, there is no evidence that any damage was caused to ESCON REIT through a breach of duty of loyalty due to inappropriate efforts to undermine the independence of a real estate appraiser.

(3) We do not find that any damage was caused to ESCON REIT through the breach of duty of loyalty to an inappropriate process for selecting real estate appraisers.

### 3. ESCON REIT's Response

Based on the results of the Investigation, discussions were held between ESCON REIT and the Asset Manager, and today the Asset Manager expressed its intention to compensate ESCON REIT for the full amount of damages identified in this investigation by the end of January 2023, subject to the completion of necessary preparations, including the allocation of funds for compensation payments and confirmation that there are no legal problems.

In response to the Asset Manager's declaration of its intention to pay compensation, ESCON REIT's board of directors, under the aforementioned measures to ensure fairness, has diligently reviewed the situation and concluded that (1) it can be reasonably expected that the Asset Manager will voluntarily pay the full amount of the damages identified in the Investigation at an early date, and (2) because of concerns that pursuit of a liability lawsuit against the Asset Manager may adversely affect the management of assets during the period the lawsuit is pending, etc., we have determined that it is in the best interest of ESCON REIT to refrain from filing a such a lawsuit, subject to receiving a detailed report from the Asset Manager regarding the status of the necessary preparations described above, and have decided to do so.

Accordingly, a notice regarding the decision to refrain from filing a lawsuit will be sent to individual unitholders who have requested that a lawsuit be filed against the Asset Manager pursuant to Article 847, Paragraph 4 of the Companies Act as applied mutatis mutandis to Article 204, Paragraph 3 of the Act on Investment Trusts and Investment Corporations.

Please refer to the attachment for the Asset Manager's view regarding the Investigation and the statement of intent.

### 4. ESCON REIT's Future Asset Management

ESCON REIT and the Asset Manager have mutually confirmed that they will continue to work together in a strong cooperative relationship and will take every possible measure to ensure that there will be no hindrance to asset management in the future. In addition, the sponsor, ES-CON JAPAN Ltd. and its parent company, Chubu Electric Power Company, Inc. have confirmed that they will continue to support the management of ESCON REIT.

We sincerely request the continued support of our unitholders and all other concerned parties.

## 5. Future Outlook

When the compensation is paid by the Asset Manager, ESCON REIT will realize a profit equal to the amount of the compensation. However, as of today, the necessary preparations, such as the allocation of funds and the confirmation that there are no legal problems have not been completed, and none of the final decisions regarding whether, in what amount, and when the compensation payment will be made has been finalized. Therefore, we have not revised the current forecast of ESCON REIT's asset management performance, but we will make a further announcement as soon as the details of the compensation payment are finalized.

【URL of ESCON REIT: <https://www.escon-reit.jp/en/index.html>】

To All Concerned Parties

ES-CON ASSET MANAGEMENT Ltd.  
President and Representative Director  
Takeharu Kagiya

As announced in the "Notice Concerning Administrative Disposition Against the Asset Manager " dated July 15, 2022, and the "Notice Concerning Submission of Business Improvement Report by the Asset Manager" dated August 15, 2022, ES-CON Asset Management, Ltd. (Hereinafter, the "Company") received a business suspension order and a business improvement order on July 15, 2022, and subsequently submitted a report summarizing the current status of its business improvement measures (the "Business Improvement Report") to the Commissioner of the Financial Services Agency on August 15, 2022, which was accepted. In order to realize fair and appropriate business operations, under the guidance of the supervisory authorities and with the support of parent company ES-CON Japan Ltd. and ultimate parent company Chubu Electric Power Co., Inc. the entire company is working to clarify management's stance on compliance with laws and regulations, establish responsible compliance and internal control systems by management, and review business operation methods to ensure the steady implementation of these measures.

Since the investigation by the Securities and Exchange Surveillance Commission that preceded the above administrative action, the Company has voluntarily investigated the appropriateness of its past operations, conducted a variety of investigations to determine whether there were any other violations of the Company's duty of loyalty other than those identified at the time of the above administrative action, and has been improving its operations in accordance with the above orders. In the process of these investigations, it was confirmed once again that the appraisal values stated in the real estate appraisal reports for the properties that were the subject of the above administrative action were appropriate, and it was also confirmed that the appraisal values stated in the real estate appraisal reports the Company acquired for ESCON REIT for all other properties were appropriate.

Under such circumstances, the Company has accepted the conclusions of the investigation commissioned by ESCON REIT to an outside law firm, which, even under the understanding that the appraisal values stated in the real estate appraisal reports were appropriate, found that ESCON REIT should be judged to have suffered damages.

This finding was not necessarily consistent with the opinions of the Company and the opinions of attorneys of the outside law firm to which the Company referred the case. Therefore, although there is an option for the Company to dispute its liability through a court case, the Company has decided that (1) the Company's breach of its duty of loyalty was what led to this matter, and the Company, which committed the acts which caused it, has a responsibility to resolve this matter as quickly as possible to ensure the proper operation and asset management of ESCON REIT, (2) the results of the investigation commissioned by ESCON REIT to an outside law firm confirmed that no damage had occurred

regarding any properties other than the three properties, (3) the appraisal values stated in the real estate appraisal reports obtained at the time of acquisition of the properties by ESCON REIT was not considered to be inappropriate, (4) there is concern that unitholders may be greatly inconvenienced if the dispute is prolonged. Therefore, regarding the payment of the amount of compensation authorized as a result of the investigation commissioned by ESCON REIT to an outside law firm, the Company decided, pending confirmation that there are no problems regarding the allocation of funds and laws and regulations, etc., to accept the finding and express our intention to that effect to ESCON REIT.

We deeply apologize to ESCON REIT's unitholders and all other concerned parties for any worries and inconvenience this matter may have caused. All of the Company's directors and employees are united in our efforts to restore trust in our company, and we are determined to make efforts to improve unitholder value by optimizing the management of ESCON REIT's assets as quickly as possible. We sincerely request the continued support of ESCON REIT unitholders and all other concerned parties.