

February 22, 2023

To All Concerned Parties

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

Asset Manager  
ES-CON ASSET MANAGEMENT Ltd.  
Representative: Wataru Orii  
President and Representative Director  
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Notice Concerning Reduction of Capital and Capital Reserve, and Disposition of Surplus of the Asset Management Company

ESCON JAPAN REIT Investment Corporation (hereinafter, "ESCON REIT") hereby announces that the Board of Directors of ES-CON ASSET MANAGEMENT Ltd. (hereinafter, the "Asset Manager"), the asset management company for ESCON REIT, was held today and resolved to submit a proposal to the Annual General Meeting of Shareholders scheduled to be held on March 20, 2023, to reduce its capital and capital reserve (hereinafter, "capital reduction") and to dispose of its surplus.

1. Purpose of Reduction of Capital and Capital Reserve, and Disposition of Surplus

As announced in the "Notice Concerning ESCON REIT's Response Concerning Liability Claims Against the Asset Manager" dated December 16, 2022, the Asset Manager has expressed its intention to compensate ESCON REIT for the full amount of damages that it has identified by ESCON REIT as having been caused by the Asset Manager's breach of its fiduciary duty of loyalty, subject to the completion of necessary preparations, including the fund allowance for compensation payment and confirmation that there are no legal problems.

In order to compensate for the full amount of 666 million yen in damages, on December 27, 2022, the Asset Manager increased its capital by 433 million yen from 100 million yen and its capital reserve by 333 million yen through capital increase by third-party allotment for a total amount of 666 million yen.

Subsequently, since all necessary preparations for the payment of compensation were completed, as announced in the "Notice Concerning the Conclusion of a Compensation Agreement" dated January 16, 2023, an agreement on compensation was executed with ESCON REIT on the same date, and payment of compensation for the full amount of damages was completed on January 17, 2023.

As a result, the full amount of the aforementioned damages was recorded as an extraordinary loss in the Asset Manager's December 2022 financial statements, resulting in a loss of 456,780 thousand yen in retained earnings brought forward.

Therefore, in order to improve its financial soundness, the Asset Manager will compensate for the amount of the deficit in retained earnings brought forward.

Specifically, the amount of capital and capital reserve will be reduced and transferred to other capital surplus, and the increased other capital surplus will be transferred to retained earnings brought forward.

This transaction is associated with the transfer of accounts in the net assets section of the balance sheet, so there will be no change in the total net assets of the Asset Manager. In addition, there will be no change in the total number of shares issued.

2. Details of the Capital Reduction

(1) Amount of capital reduction

The total capital of 433 million yen as of December 31, 2022, will be reduced by 333 million yen, resulting in total capital of 100 million yen.

(2) Method of Capital Reduction

There will be no change in the total number of shares issued. The entire reduction in capital will be transferred to other capital surplus.

3. Details of the Capital Reserve Reduction

(1) Amount of Capital Reserve Reduction

The total capital reserve of 333 million yen as of December 31, 2022, will be reduced by 123,781 thousand yen, resulting in total capital of 209,219 thousand yen.

(2) Method of Capital Reserve Reduction

The entire reduction in capital reserve will be transferred to other capital surplus.

4. Details of the Disposition of Surplus

The total amount of other capital surplus to be increased by the reduction of capital as described in 2. Details of the Capital Reduction and the reduction of capital reserve as described in 3. Details of the Capital Reserve Reduction will be transferred to retained earnings brought forward to compensate for the deficit.

5. Net Assets after Capital Reduction and Disposition of Surplus by the Asset Manager

(Unit: thousand yen)

items	as of December 31, 2022	after Capital Reduction and Disposition of Surplus
Shareholders Equity	309,219	309,219
Capital	433,000	100,000
Capital Surplus	333,000	209,219
Capital Reserve	333,000	209,219
Other capital surplus	—	—
Retained earnings	(456,780)	—
Other retained earnings	(456,780)	—
Retained earnings brought forward	(456,780)	—
Valuation and translation adjustments	(54)	(54)
Valuation difference on available-for-sale securities	(54)	(54)
Total net assets	309,165	309,165

\*All amounts are rounded down to the nearest thousand yen.

6. Schedule for Capital Reduction

(1) Date of resolution by the Asset Manager's Board of Directors	February 22, 2023
(2) Date of resolution by the Asset Manager's Annual General Meeting of Shareholders	March 20, 2023(Scheduled)
(3) Date of public notice of objection by creditors	April 25, 2023(Scheduled)
(4) Final date for submission of objection by creditors	May 24, 2023(Scheduled)
(5) Effective date of capital reduction	May 25, 2023(Scheduled)

7. Future Outlook

The capital reduction and disposition of surplus by the Asset Manager will have no impact on ESCON REIT's operating status.

8. Other

Since the amount of capital will change as a result of the capital reduction, notification will be submitted to the Financial Services Agency in accordance with the Financial Instruments and Exchange Act and to the Ministry of Land, Infrastructure, Transport, and Tourism in accordance with the Building Lots and Buildings Transaction Business Act, respectively, and other necessary notifications and other procedures will be carried out in accordance with applicable

laws, regulations, and rules.

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