

For Immediate Release

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ORIX JREIT Announces Acquisition of “Sapporo 22 Square” and “DS Tower Taihakudori”

TOKYO, April 26, 2023 — ORIX JREIT Inc. (“OJR”) announced that its asset management company, ORIX Asset Management Corporation (“OAM”), passed a resolution on the acquisition of properties as described below.

1. Acquisition Summary

Property name	Sapporo 22 Square	DS Tower Taihakudori
Specified asset category	Real estate trust beneficiary interest	Real estate
Type	Office	Residential
Area	Other areas ^(Note 2) (Sapporo-shi, Hokkaido)	Other areas ^(Note 2) (Fukuoka-shi, Fukuoka)
Seller	Not-disclosed ^(Note 3)	DAIICHI SHOJI CO.,LTD.
Contract date	April 26, 2023	April 26, 2023
Acquisition date	August 31, 2023 ^(Note 4)	April 27, 2023
Acquisition price	10,500 million yen	1,550 million yen
Appraisal value	10,800 million yen	1,590 million yen
NOI yield ^(Note 5)	3.7%	4.0%
Yield after depreciation ^(Note 6)	2.7%	3.1%
Intermediary	Yes	Yes

Note:

- “Property” refers to each property or collectively to all the properties indicated above. “Acquisition” refers to the Acquisition of the Property.
- “Other areas” refers to areas other than the Greater Tokyo Area (Tokyo, Kanagawa, Saitama and Chiba prefectures).”
- The seller is a Japanese special purpose company, however, the consent of the seller could not be obtained, including information on the name of company.
- The purchase and sale agreement pertaining to the Acquisition (hereinafter, “Purchase and Sale Agreement”) falls under the category of Forward Commitment as provided in the Comprehensive Guideline for Supervision of Financial Instruments Business Operators, etc. set by the Financial Services Agency since it is a postdated purchase and sale agreement where the settlement and delivery of the property will be conducted later than one month after the conclusion of such agreement.

< Financial Impact on OJR in case the forward commitment cannot be fulfilled. >

In this regard, the Purchase and Sale Agreement stipulates cancellation provisions as follows:

- In the event either the seller or the purchaser commits material breach of the Purchase and Sale Agreement (such party is hereinafter the “Breaching Party”), the other party (hereinafter the “Terminating Party”) shall set a certain reasonable period and demand the Breaching Party to perform its obligations within such period. If the Breaching Party fails to remedy its breach within such period, the Terminating Party may terminate the Purchase and Sale Agreement. Provided, however, that in case it is evident that it is impossible to remedy its breach within a reasonable period, the Terminating Party may immediately terminate the Purchase and Sale Agreement without notice.

- ii. In the event the Purchase and Sale Agreement is terminated due to the reason mentioned in i) above, the Breaching Party shall immediately pay the amount equivalent to 20% of the total amount of acquisition price of the property to be acquired to the Terminating Party as a penalty. Even if the damage incurred or born by the Terminating Party exceeds the amount of the penalty, the Terminating Party may not claim an amount in excess of the penalty to the Breaching Party. Even if the amount of such damage is less than the amount of the penalty, the Breaching Party may not claim a reduction of the penalty.
- 5. The "NOI Yield" of Property is calculated by dividing Net Operating Income based on the direct capitalization method indicated in the appraisal report at the time of decision to acquire by the acquisition price. The figures are rounded to the one decimal place.
- 6. The "Yield after Depreciation" of Property is calculated by dividing (Net Operating Income based on the direct capitalization method indicated in the appraisal reports at the time of decision to acquire – Depreciation expense estimated by OAM) by the acquisition price. The figures are rounded to the one decimal place.

2. Future Outlook

There will be no change in the earnings and distributions forecast for the 43rd fiscal period from March 1, 2023 through August 31, 2023 and the 44th fiscal period from September 1, 2023 through February 29, 2024 announced in "Financial Results for the 42nd Fiscal Period" dated April 19, 2023.

3. Purpose of the Acquisition

OJR aims to achieve stable growth of unitholder value through careful selection in properties from the perspectives of growth potential, profitability and stability by leveraging our strength, "ORIX Synergy (Note1)", "Direct PM (Note2)" and "Diversified REIT (Note3)". At present, we have been conducting asset replacement focused on improving portfolio quality.

Under this policy, despite challenging acquisition environment, OJR decided on this purchase with a 3rd party where we can further utilize our strengths and anticipate stable demand in the middle to long term.

Note:

1. The "ORIX Synergy" refers to the cooperative relationship between ORIX Corporation and its group companies, and OJR.
2. The "Direct PM" refers to the supplemental work of property management operations including leasing activities and activities to improve property value by OAM while utilizing the ORIX Synergy.
3. The "Diversified REIT" refers to real estate investment incorporations that invest in various types of property such as offices, retail facilities, residential properties, logistics facilities, hotels and others.

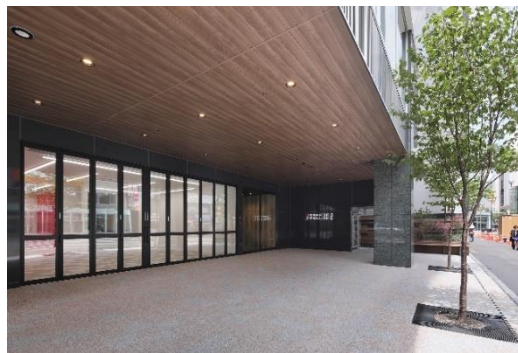
1) Purpose of the Acquisition of "Sapporo 22 Square"

- Located approximately within a 2-minute walk from Odori Station with 3 public transport lines including the Sapporo Subway Tozai Line. Good access to public transport as it is connected with an underground passage connecting Sapporo Station on the JR line and Odori Park on the basement floor.
- A medium-sized office which we can leverage our strength in our track record and the high familiarity with the market where OJR owns 2 office properties.
- A newly built office with 13 floors above ground and its stylish exterior located on the corner of main streets and thus it has high visibility and competitiveness.
- While office vacancy rates have been rising nationwide, it remains at a low level in the Sapporo area with favorable supply-demand conditions such as stable demand from call centers and outsourcing services, therefore stable operation can be expected.

Map



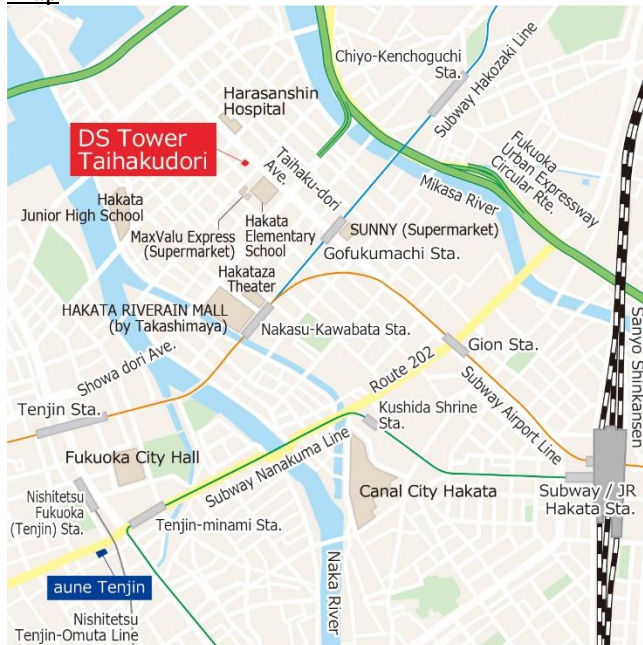
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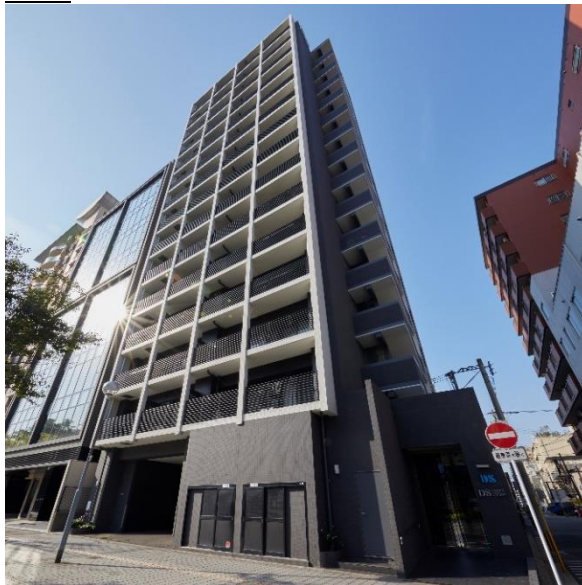
2) Purpose of the Acquisition of “DS Tower Taihakudori”

- Good access to public transport lines: approximately a 5-minute walk from Gofukumachi Station on the Fukuoka Subway Hakozaki Line, approximately a 10-minute walk from Nakasu-Kawabata Station on the Fukuoka City Subway Airport Line/Hakozaki Line and approximately 10 minutes from the nearest bus stop to Tenjin/Hakata by bus. In addition, highly convenient location with easy access to Tenjin/Hakata, two major office and commercial areas in Fukuoka, and Nakasu, a downtown area.
- Facing Taihaku-dori with good visibility from the nearest station, and the vicinity offers high lifestyle convenience with supermarkets, a hospital, clinics and drug stores.
- OJR’s highly experienced single type residential property (less than 40 m²) (84 rentable units: 67% for 1K units, 33% for 1LDK units)

Map



Photo



4. Summary of Properties to be Acquired

1) Sapporo 22 Square

Property name		Sapporo 22 Square
Specified asset category		Real estate trust beneficiary interest
Trustee (Scheduled)		Mizuho Trust & Banking Co., Ltd. (Note 1)
Address (Note 2)		2-10-1 Minami 2-jo Nishi, Chuo-ku, Sapporo-shi, Hokkaido
Public transit access		Approx. 2-minute walk from “Odori” station on Sapporo Subway Tozai line and Toho line
Land	Registered Area	818.46 m ²
	Type of ownership	Full ownership
Building	Registered usage	Office, Retail
	Registered completion date	May 2022
	Type of ownership	Full ownership
	Registered Area	8,169.97m ²
	Registered construction	Steel-frame, reinforced concrete flat roof, 13 floors with 2 underground floors

Earthquake resistance (with or without earthquake insurance)	PML ^(Note 3) : 1% *Based on the report by Sompo Risk Management Inc.				
Collateral	None				
Summary of the Engineering Report					
	Reporting Company	Tokyo Bldg-Tech Center Co.,Ltd			
	Date of inspection	February 15, 2023			
	Total amount of 12 years from the date of inspection	9 million yen ^(Note 4)			
	Replacement Cost	2,192 million yen ^(Note 4)			
Summary of Rental status as of February 28, 2023					
	Number of tenants	8			
	Gross rental income excluding parking	34 million yen per month ^(Note 4)			
	Security deposits including parking	347 million yen ^(Note 4)			
	Total rent space	5,792.08 m ²			
	Total rentable space	6,007.34 m ²			
Occupancy rate of end tenants during past 5 years	February 2019	February 2020	February 2021	February 2022	February 2023
	- (Not Completed)	- (Not Completed)	- (Not Completed)	- (Not Completed)	96.4%
Special notes	Pursuant to an agreement between the City of Sapporo and the landowner, Mizuho Trust & Banking Co., Ltd., the City of Sapporo has created sectional superficies on a part of the land this property is located for the installation of grade separated road facilities for the purpose of establishing connection to the underground bicycle parking lots, and agreed on succession of the arrangement to transferee upon transfer of this property to a third party and other matters.				
Estimated net operating income (NOI)	386 million yen per annum ^(Note 4) Estimated net operating income (NOI) represents the estimated revenue/ expenditure balance under stabilized occupancy excluding extraordinary factors that may occur after acquisition. The precondition is as below; these figures are not what OJR expects for the current fiscal year. - Occupancy rate: 97.0%				

2) DS Tower Taihakudori

Property name		DS Tower Taihakudori
Specified asset category		Real estate
Address ^(Note 2)		7-16 Narayacho, Hakata-ku, Fukuoka-shi, Fukuoka
Public transit access		Approx. 5-minute walk from “Gofukumachi” station on Hakata Subway Hakozaki line.
Land	Registered Area	420.03 m ²
	Type of ownership	Full ownership
Building	Registered usage	Residential
	Registered completion date	February 2008
	Type of ownership	Full ownership
	Registered Area	2,650.97m ²
		Reinforced concrete flat roof, 15 floors
Earthquake resistance (with or without earthquake insurance)		PML ^(Note 3) : 0% *Based on the report by Sompo Risk Management Inc.

Collateral	None				
Summary of the Engineering Report					
	Reporting Company	Tokyo Bldg-Tech Center Co.,Ltd.			
	Date of inspection	March 8, 2023			
	Total amount of 12 years from the date of inspection	16 million yen ^(Note 4)			
	Replacement Cost	823 million yen ^(Note 4)			
Summary of Rental status as of March 1, 2023					
	Number of tenants	1 (Rent guarantee-type master lease) *Pass through-type master lease agreement is scheduled to be executed at the time of acquisition.			
	Gross rental income excluding parking	5 million yen per month ^(Note 4,5)			
	Security deposits including parking	4 million yen ^(Note 4,5)			
	Total rent space	2,429.00 m ²			
	Total rentable space	2,429.00 m ²			
Occupancy rate of end tenants during past 5 years	March 2019	March 2020	March 2021	March 2022	March 2023
	- (Not Disclosed) (Note 6)	- (Not Disclosed) (Note 6)	100% (Note 5)	100% (Note 5)	100% (Note 5)
Special notes	The number of parking lots for bicycles and motorcycles is in short of the number as required under the Fukuoka City Ordinance on Prevention of Disputes and Coordination of Building Constructions. However, this is scheduled to be cured within the year of 2023 (at the expense of the Seller).				
Estimated net operating income (NOI)	62 million yen per annum ^(Note 4) Estimated net operating income (NOI) represents the estimated revenue/ expenditure balance under stabilized occupancy excluding extraordinary factors that may occur after acquisition. The precondition is as below; these figures are not what OJR expects for the current fiscal year. - Occupancy rate: 96.0%				

Note:

- OJR is planning to execute “Amendment to Property Management and Disposition Trust Agreement” with the company on August 31, 2023.
- The “Address” column shows the residence indication if there is, and if there is none, the building address recorded in the registry. Accordingly, the address may differ from the lot number recorded in the registry.
- PML (Probable Maximum Loss) expresses the ratio of the assumed potential damage on buildings, which could occur once in 475 years based on probability statistics, against replacement cost.
The earthquake risk of a building is evaluated based on the risk curve that shows the relationship of amount of expected loss (horizontal axis) and probability to exceed the year that the seismic motion causes its loss (vertical axis).
The risk curve is evaluated based on the damage distribution considering the uncertainty of damage due to earthquake resistance performance of the building and the behavior of the seismic motion, etc.
- Figures are rounded down to the nearest million yen.
- The figures are described based on the lease agreement between a master lease company and end tenants.
- Occupancy rates as of March 1, 2019 and March 1, 2020 are not disclosed because the consent of the seller could not be obtained.

5. Profile of the Seller company

1) Sapporo 22 Square

The seller is not disclosed because the consent of the seller could not be obtained, including the name of the company. There is no capital, personal and business relationship among OJR, OAM and the seller. In addition, the seller is not a “related party” to OJR nor OAM.

2) DS Tower Taihakudori

As of April 11, 2023

Company name	DAIICHI SHOJI CO.,LTD.
Address	4-31-1 Momochihama, Sawara-ku, Fukuoka-shi, Fukuoka
Representative	President and CEO Junko Ishibashi
Primary Business	Leasing and sales of real estate, store facilities, and furniture and fixtures, etc.
Capital	70 million yen
Date of establishment	December 27, 2004
Net Assets	- *Not disclosed as the consent of the Company could not be obtained.
Total Assets	- *Not disclosed as the consent of the Company could not be obtained.
Major shareholders	- *Not disclosed as the consent of the Company could not be obtained.
Relationships with OJR or OAM	
Capital relationship	There is no capital relationship required for reporting among OJR or OAM and the Company.
Personal relationship	There is no personal relationship required for reporting among OJR or OAM and the Company.
Business relationship	There is no business relationship required for reporting among OJR or OAM and the Company.
Applicable to related party	The Company does not fall under “related party” of OJR nor OAM.

6. Information of the Transaction Party

The seller companies do not fall under the category of a related party of OJR nor OAM.

7. Payment terms

1) Sapporo 22 Square

Settlement terms: 100% on delivery

Funding method: Cash on hand

2) DS Tower Taihakudori

Settlement terms: 100% on delivery

Funding method: Cash on hand

8. Appraisal Summary

Name of asset	Sapporo 22 Square	
Date of value	April 1, 2023	
Appraisal value (In thousands of yen)	10,800,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
(In thousands of yen)		
Item	Content	Grounds
Income Approach Value	10,800,000	We estimated the value indicated by the Income Approach mainly based on the value indicated by the DCF Method, also verified it by the value indicated by the DC Method
Valuation by the Direct Capitalization Method	11,200,000	
(1) Gross Operating Revenue [(a)-(c)]	462,807	
(a) Effective gross revenue [(b) + (c)]	476,930	Assessed Rental income, which are considered to be stable levels, based on the the competitiveness of subject property, the trends of track record, market trends, the lease evidences, and so on
(b) Rental income	470,789	Assessed the market rent taking into account the lease evidences including CAM income, and so on
(c) Other income	6,141	Parking lot income, Server room income, Vending machine income
(d) Vacancy loss	14,123	Assessed based on the vacancy rate deemed to be a stable level, taking into account the competitiveness of subject property, the trends of track record, market trends, and so on.
(2) Operating Expenses	72,604	
Maintenance Expense	14,276	Assessed based on the estimated amount, and so on
Utility Expense	6,424	Assessed based on the level of similar properties, and so on
Repair Expense	1,095	Assessed based on Engineering Report, the level of similar properties, and so on
Property Management Fee	5,090	Assessed based on the estimated amount, and so on
Tenant Advertisement Cost	4,394	Assessed based on the turnover rate deemed to be a stable level, taking into account the competitiveness of the subject property, the trends of track record, market trends, and so on.
Tax and Public Dues	32,858	Assessed based on taxable materials
Casualty Insurance	450	Assessed based on insurance materials
Other Expenses	8,014	Other Expenses include Parking lot fee. Assessed based on the level of similar properties, and so on
(3) Net Operating Income [(1)-(2)]	390,202	
(4) Profit from Managing Security Deposit	4,125	Assessed investment yield as 1.0%
(5) Capital Expenditure	3,285	Assessed based on Engineering Report, the level of similar properties, and so on
(6) Net Revenue [(3)+(4)-(5)]	391,043	
(7) Cap Rate	3.5%	Assessed by taking into account the use of the subject property, its location and building conditions, market trends, the comparable evidences, the type of lease, the relations of rights, and so on
DCF Method	10,600,000	
Discount Rate	3.6%	Assessed by taking into account the use of the subject property its location and building conditions, the level of funding costs, market trends, the type of lease, the relations of rights, and so on
Terminal Cap Rate	3.7%	Assessed by taking into account future uncertainty and other factors in the capitalization rate at the date of value
Cost Approach	9,860,000	
Ratio of Land	74.5%	
Ratio of Building	25.5%	
Additional considerations made in the reconciliation of evaluation	The market participants make decisions focusing on the stability of income, growth potential, liquidity at the resale, and other factors. The value indicated by the Income Approach reflected this process is highly normative. Accordingly, we determined the final opinion of value by the value indicated by the Income Approach	

Name of asset	DS TOWER Taihakudori
Date of value	March 1, 2023
Appraisal value (In thousands of yen)	1,590,000
Appraiser	Chuo Real Estate Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	1,590,000	Revenue value is determined with emphasis on revenue value by the DCF method, with revenue value using the direct capitalization method also taken into consideration
Valuation by the Direct Capitalization Method	1,660,000	
(1) Gross Operating Revenue [(a)-(g)]	76,740	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	80,024	
(b) Rental income	69,103	Assessed taking factors such as the level of rents and CAM charges at similar properties into consideration
(c) CAM income	4,315	Same as above
(d) Utility reimbursement	0	Not recognized because exclusively owned areas are covered by the individual agreements of tenants
(e) Parking Fee income	3,468	Assessed taking factors such as the parking fee under the current agreement and the level of parking fees at similar properties into consideration
(f) Other income	3,138	Assessed based mainly on actual data
(g) Vacancy loss	3,284	Medium-to-long-term occupancy rate (vacancy rate), etc. is assessed taking factors such as actual occupancy data of the target real estate and similar properties and future market trend forecasts into consideration
(2) Operating Expenses	14,190	
Maintenance Expense	2,623	Assessed based mainly on estimates
Utility Expense	839	Assessed based on actual past data, taking factors such as level of expenses of similar properties into consideration
Repair Expense	1,975	Assessed taking into consideration estimated repair expenses based mainly on the ER
Property Management Fee	1,545	Assessed based on expected contract conditions
Tenant Advertisement Cost	1,912	Assessed based on expected contract conditions
Tax and Public Dues	4,664	Assessed based on most recent actual amounts
Casualty Insurance	149	Assessed based mainly on estimates
Other Expenses	483	Assessed based mainly on estimates
(3) Net Operating Income [(1)-(2)]	62,550	
(4) Profit from Managing Security Deposit	3	Assessed based on rate of return of 1.0%
(5) Capital Expenditure	961	Assessed based on ER
(6) Net Revenue [(3)+(4)-(5)]	61,592	
(7) Cap Rate	3.7%	Assessed with reference to investment yields in transactions involving similar properties and taking into consideration the individual features of the property such as location, building spec and rights and benefits
DCF Method	1,560,000	
Discount Rate	3.5%	Assessed with reference to investment yields in transactions involving similar properties and taking into consideration factors such as the individual features of the property and valuation scenarios
Terminal Cap Rate	3.9%	Assessed with reference to investment yields in transactions involving similar properties and taking into consideration factors such as the individual features of the property, valuation scenarios, future market risks and other risk premiums
Cost Approach	1,580,000	
Ratio of Land	72.2%	
Ratio of Building	27.8%	

Additional considerations made in the reconciliation of evaluation	Since potential buyers of the property are primarily investors who attach importance to revenue potential, the appraisal value is determined based on revenue value and the indicated value using the cost approach is merely used for reference.
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【Reference】

OJR's earnings and distributions forecast for the 43rd fiscal period and the 42nd performance results announced on April 19, 2023

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit excluding distribution in excess of earnings (yen)	Distributions per unit in excess of earnings (yen)
Forecast FP43 (Aug. 2023)	25,257	11,619	10,504	10,487	3,740	-
Actual result FP42 (Feb. 2023)	25,671	12,218	11,161	11,149	4,068	-

Note: This is the English translation of original Japanese documents and is provided solely for information purposes. If there are any discrepancies between the translation and the Japanese original, the latter shall prevail.