

For Immediate Release

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## **ORIX JREIT Announces Acquisition of “Sun Mullion Tower”**

TOKYO, February 15, 2024— ORIX JREIT Inc. (“OJR”) announced that our asset management company, ORIX Asset Management Corporation (“OAM”), passed a resolution on the acquisition of a property (hereafter, “the acquisition”) as described below.

### **1. The Acquisition Summary**

Property name	Sun Mullion Tower
Specified asset category	Real estate trust beneficiary interest
Type	Office
Area	Other Area <sup>(Note 2)</sup> (Osaka-shi, Osaka)
Seller	Japanese special purpose company <sup>(Note 3)</sup>
Contract date	February 15, 2024
Acquisition date	March 1, 2024
Acquisition price	19,000 million yen
Appraisal value	19,600 million yen
NOI yield <sup>(Note 4)</sup>	4.0%
Yield after depreciation <sup>(Note 5)</sup>	3.4%
Intermediary	Yes

Notes:

1. “Property” refers to the property to be acquired in the above.
2. “Other area” refers to areas other than the Greater Tokyo Area (Tokyo, Kanagawa, Saitama and Chiba prefectures).”
3. The seller is a Japanese special purpose company, however, the name of the company is not disclosed because the consent of the company could not be obtained.
4. 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 figure is rounded to the first decimal place.
5. The “Yield after Depreciation” 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 – Depreciation expense estimated by OAM) by the acquisition price. The figure is rounded to the first decimal place.

### **2. Future Outlook**

There will be no change in the earnings and distributions forecast for the 44th fiscal period from September 1, 2023 through February 29, 2024 and the 45th fiscal period from March 1, 2024 through August 31, 2024 announced in “Financial Results for the 43rd Fiscal Period” dated October 20, 2023.

### 3. Purpose of the Acquisition

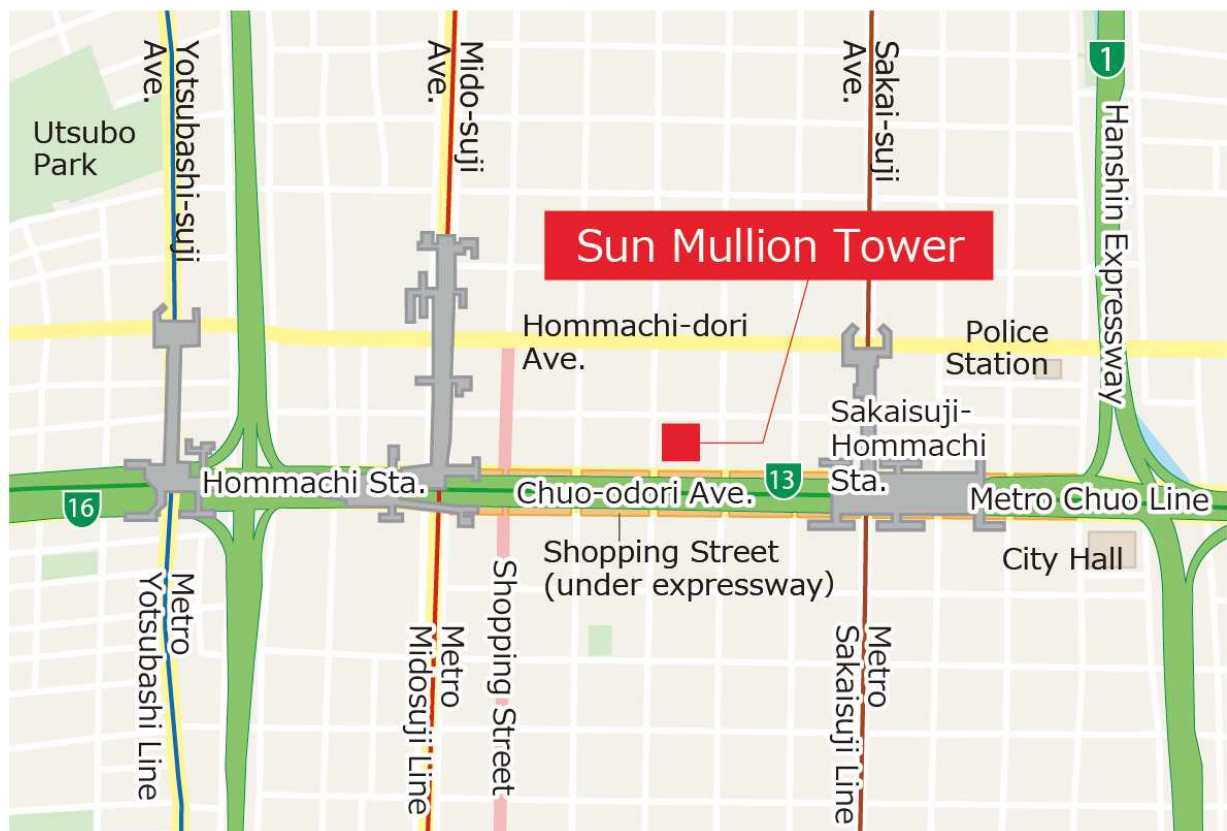
OJR aims to achieve stable growth of unitholder value through careful selection in properties from the perspectives of growth potential, profitability and stability by leveraging our strengths, “ORIX Synergy<sup>(Note1)</sup>,” “Direct PM<sup>(Note2)</sup>” and “Diversified REIT<sup>(Note3)</sup>”. At present, we are conducting asset replacement focused on improving portfolio quality. Under this policy, despite challenging acquisition environment, OJR decided on this acquisition with a third party for the following reasons.

Notes:

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.

- The property is located in “Homomachi Area” where offices are historically centered as a business district, approximately a 4-minute walk from “Homomachi” station on Osaka Metro Midotsuji Line, Chuo Line and Yotsubashi Line, and approximately a 3-minute walk from “Sakaisuji-Homomachi” station on Osaka Metro Sakaisuji Line and Chuo Line, and with easy access to major areas such as Umeda and Namba.
- A classy high-rise office facing Chuo-odori Street which is a main road running east to west through the center of Osaka City, with high visibility from the open space in front.
- Although the building age is now over its 28th year, it has high competitiveness and strong appeal to tenants as renovation of common areas and separation of air conditioning zones were implemented.
- In addition to the above, considering the overall situation including the market size, the leasing market and expecting stable demand over the middle to long term, we determined the acquisition to improve the quality of our portfolio.

#### Map



Photos



**4. Summary of Property to be Acquired**

Property name		Sun Mullion Tower
Specified asset category		Real estate trust beneficiary interest
Trustee (Scheduled)		Mitsubishi UFJ Trust and Banking Corporation <sup>(Note 1)</sup>
Address <sup>(Note 2)</sup>		2-6-12 Minamihommachi, Chuo-ku, Osaka-shi, Osaka
Public transit access		Approx. 4-minute walk from “Hommachi” station on Osaka Metro Midosuji Line, Chuo Line and Yotsubashi Line, Approx. 3-minute walk from “Sakaisuji-Hommachi” station on Osaka Metro Sakaisuji Line and Chuo Line
Land	Registered Area	2,150.36 m <sup>2</sup> (*A part “Approx. 95.17 m <sup>2</sup> ” of the land has been used as a road.)
	Type of ownership	Full ownership
Building	Registered usage	Office, Garage
	Registered completion date	January 1996
	Type of ownership	Full ownership
	Registered Area	23,755.80m <sup>2</sup>
Registered construction		Steel-frame, Steel-frame reinforced concrete with flat roof 22 floors with 2 underground floors
Earthquake resistance		PML <sup>(Note 3)</sup> ; 0% *Based on the report by Sompo Risk Management Inc.
Collateral		None

Summary of the Engineering Report					
Reporting Company	Tokio Marine dR Co., Ltd.				
Date of inspection	November 29, 2023				
Maintenance Cost (Total amount of 12 years from the date of inspection)	432 million yen <sup>(Note 4)</sup>				
Replacement Cost	8,016 million yen <sup>(Note 4)</sup>				
Summary of Rental status as of December 31, 2023					
Number of tenants	26				
Gross rental income excluding parking	54 million yen per month <sup>(Note 4)</sup>				
Security deposits including parking	617 million yen <sup>(Note 4)</sup>				
Total rent space	13,291.93 m <sup>2</sup>				
Total rentable space	15,001.31 m <sup>2</sup>				
Occupancy rate of end tenants during past 5 years	December 2019	December 2020	December 2021	December 2022	December 2023
	100%	100%	97.9%	99.4%	88.6%
Special notes	None				
Estimated net operating income (NOI)	686 million yen per annum <sup>(Note 4)</sup> 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; the figure is 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 March 1, 2024.
- 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. The figure of PML is rounded to the whole number.
- Figures are rounded down to the nearest million yen.

## 5. Profile of the acquisition company

The seller is a Japanese special purpose company, however, the name of the company is not disclosed because the consent of the company could not be obtained.

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.

## 6. Information of the acquisition company

The Acquisition is not from any party having a special interest in OJR nor OAM.

## 7. Payment terms

Settlement terms: 10% on agreement and 90% on delivery

Funding method: New borrowings <sup>(Note)</sup> and cash on hand

Note: The details of the borrowings shall be announced at a later date, as soon as it is determined.

## 8. Appraisal Summary

Name of asset	Sun Mullion Tower
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Date of value	January 1, 2024
Appraisal value (In thousands of yen)	19,600,000
Appraiser	Chuo Real Estate Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	19,600,000	Income approach value is determined with emphasis on valuation by the DCF method, taking valuation by the direct capitalization method into consideration
Valuation by the Direct Capitalization Method	21,800,000	
(1) Gross Operating Revenue [(a)-(g)]	1,049,440	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	1,095,418	
(b) Rental income	981,993	Assessed taking factors such as rent under the existing lease agreement and other arrangements and the level of rents at similar properties into consideration
(c) CAM income	0	Included in the above rent
(d) Utility reimbursement	72,006	Assessed based on actual past data, taking the level of utilities income of similar properties into consideration
(e) Parking Fee income	38,184	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	3,235	Assessed based mainly on actual data
(g) Vacancy loss	45,978	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	291,313	
Maintenance Expense	69,306	Assessed based on expected contract conditions, taking factors such as past data and level of expenses of similar properties into consideration
Utility Expense	82,951	Assessed based on actual past data, taking factors such as level of expenses of similar properties into consideration
Repair Expense	30,497	Assessed taking into consideration estimated repair expenses based on the ER and our assessment calculated from a medium-to-long-term stable perspective based on details of the building such as use, year built, structure and management status
Property Management Fee	14,870	Assessed based on expected contract conditions
Tenant Advertisement Cost	7,542	Assessed based on expected contract conditions
Tax and Public Dues	76,176	Assessed based mainly on most recent actual amounts
Casualty Insurance	1,571	Assessed based mainly on estimates
Other Expenses	8,400	Assessed with reference to the level of expenses, etc. of similar properties
(3) Net Operating Income [(1)-(2)]	758,127	
(4) Profit from Managing Security Deposit	9,484	Assessed based on rate of return of 1.0%
(5) Capital Expenditure	47,597	Assessed taking into consideration estimated upgrading expenses based on the ER and our assessment calculated from a medium-to-long-term stable perspective based on details of the building such as use, year built, structure and management status
(6) Net Revenue [(3)+(4)-(5)]	720,014	
(7) Cap Rate	3.3%	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
Valuation by DCF Method	18,600,000	
Discount Rate	3.1%	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	3.5%	Assessed with reference to investment yields in transactions involving similar properties and taking into consideration factors such as the individual features of the property, valuation scenarios, future market risks and other risk premiums
Cost Approach Value	14,100,000	
Ratio of Land	86.5%	
Ratio of Building	13.5%	
Additional considerations made in the reconciliation of evaluation	Determined by adopting income approach value in reference to cost approach value as demand for the subject property is considered to emphasize profitability	

**Reference**

OJR's earnings and distributions forecast for the 44th fiscal period and the 43rd performance results announced on October 20, 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 FP44 (Feb. 2024)	26,006	12,200	11,124	11,107	3,900	-
Actual result FP43 (Aug. 2023)	25,698	8,999	7,918	7,904	3,744	-

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.