

## Presentation

ORIX Asset Management Corporation

October 20, 2023

# ORIX JREIT Inc.

Financial Briefing for the 43rd Fiscal Period  
ended August 31, 2023

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Securities code : 8954



**Tanaka:** Hello everyone.

My name is Tanaka of ORIX Asset Management Corporation. Thank you for watching the video presentation of ORIX JREIT Inc., or OJR for short, on its financial results for the 43rd fiscal period ended August 31, 2023.

I will explain OJR's current situation and future performance forecasts based on that along with these materials.

## Portfolio Status as of financial announcement on Oct. 20, 2023

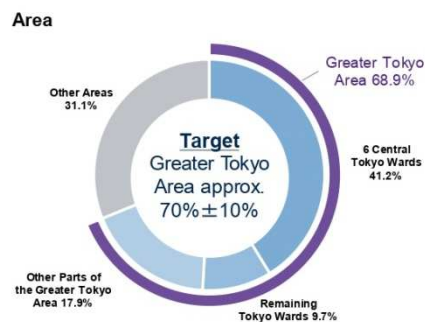
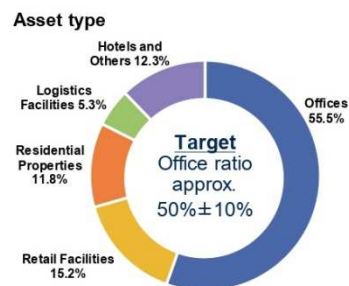
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### Portfolio Profile

	Total acquisition price (billion yen)	Properties	Occupancy rate (%)	NOI yield (%)	Yield after depreciation (%)	Average building age (year)
 Offices	385.8	55	97.2	4.8	4.2	21.7
 Retail Facilities	105.4	26	99.0	4.8	4.2	15.5
 Residential Properties	82.1	19	96.2	5.2	4.3	14.6
 Logistics Facilities	37.1	5	100	5.7	4.9	14.9
 Hotels and Others	85.2	7	99.9	5.4	4.3	24.6
<b>Overall Portfolio</b>	<b>695.8</b>	<b>112</b>	<b>98.3</b>	<b>5.0</b>	<b>4.2</b>	<b>20.0</b>

(Note) The occupancy rate represents the occupancy rate as of the end of FP43 ended Aug. 31, 2023 for the properties owned as of financial announcement on Oct. 20, 2023.

### Portfolio Composition based on Acquisition Price



### Rent Condition based on Actual Rent



Please, see page five. First, let me explain OJR's portfolio.

See the pie chart on the left side of the bottom row and the asset type ratios.

The majority of OJR's assets consist of offices, particularly mid-sized offices. This is followed by retail facilities at 15%, residential at 11%, logistics facilities at 5%, and hotels and others at 12%.

# Key Takeaways

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	Business landscape	Our performance result	Our strategy
External growth	<ul style="list-style-type: none"> <li>Property prices remain high against a backdrop of strong investment demand</li> <li>While opportunities in disposing properties are favorable, acquisition opportunities particularly in central Tokyo offices, logistic facilities, and residential properties are limited</li> <li>Increase the need of property selection amid upward pressure on interest rates and inflation</li> </ul>	<ul style="list-style-type: none"> <li>Conducted our asset reshuffling strategy focused on improving portfolio quality</li> </ul> <p>Acquisition:</p> <ul style="list-style-type: none"> <li>- 1 medium-sized office that can better utilize our strengths</li> <li>- 1 residential property with stable demand expected over the mid to long term</li> </ul> <p>Disposition:</p> <ul style="list-style-type: none"> <li>- 1 hotel (Hotel Nikko Himeji) with concerns over future competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Continue asset reshuffling strategy with a focus on improving portfolio quality</li> <li>Select asset disposals and aim to invest with versatility without missing opportunities where we can maximize our strength</li> <li>Utilizing various funding sources, including recycling proceeds from asset disposals</li> <li>Implement the acquisition team and consideration of investment method for new growth</li> </ul>
Internal growth	<ul style="list-style-type: none"> <li>Offices: Although tenant demand is on a recovery, weakness of rent trend especially in central Tokyo continues</li> <li>Urban-type retail facilities: Limited interest in large space from F&amp;B though inquiries has been increased</li> <li>Residential properties: Bottomed out of rent decline on single type residential property</li> <li>Hotels: High demand from inbound and issues of rise in personnel costs</li> <li>Property management costs including utility costs etc. are on an upward trend</li> </ul>	<ul style="list-style-type: none"> <li>Occupancy rate Overall: 98.3% Offices: 97.2%</li> <li>Occupancy rates of offices, urban-type retail facilities and residential properties recovered from COVID19 to a certain level</li> <li>Recovery of theme park hotels performance and growth through strategic investment</li> </ul>	<ul style="list-style-type: none"> <li>Offices: Continue occupancy-oriented leasing to fill in vacancy</li> <li>Urban-type retail facilities: Continue to promote flexible leasing regardless of industries or business types to focus on occupancy</li> <li>Residential properties: Aim for a rent increase level by property while continuing occupancy-oriented leasing</li> <li>Implementation of pass-through charge for electricity to tenants</li> </ul>
Financial strategy	<ul style="list-style-type: none"> <li>Financial institutions' lending attitude has not significantly changed despite upward trend on domestic and overseas interest rates</li> <li>Growth of sustainable finance market</li> </ul>	<ul style="list-style-type: none"> <li>LTV: 43.1%. Additional borrowing capacity of 93 billion yen (up to LTV of 50%)</li> <li>Maintained a total of 40 billion yen of long-term commitment lines and 48 billion yen of cash and deposits at the end of FY43</li> <li>Increase sustainable finance ratio to 18.1%</li> <li>Launched sustainable finance (Sustainability Linked Loan, Positive Impact Finance and Green Loan)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening financial stability while considering to manage funding costs</li> <li>Promote sustainable finance while taking economic conditions into account</li> <li>Maintain liquidity to enable swift property acquisitions and deal with market changes</li> <li>Allocation of internal reserves will be utilized to achieve sustainable growth of unitholder value (Internal reserves per unit: 646 yen)</li> </ul>
ESG	<ul style="list-style-type: none"> <li>Increasing the importance of realizing a sustainable society in the medium to long term through asset management activities</li> <li>Initiatives are required towards net zero by 2050</li> </ul>	<ul style="list-style-type: none"> <li>Introduction of the long-term targets to reduce GHG emission for 2050 net zero and strengthened the medium-term targets for 2030 (SBTi Validation as a Near Term Target)</li> <li>Developed a transition roadmap to achieve our targets</li> </ul>	<ul style="list-style-type: none"> <li>Promote ESG initiatives as a basis for long-term stable growth of unitholder value</li> <li>Steady implementation towards the 2030 and 2050 targets</li> </ul>

Please, see page eight. I will explain our business landscape and our performance result, as well as our operational tactics.

First, in terms of business landscape for external growth, the real estate transaction market continues to see high prices and limited opportunities to acquire prime properties, but in order to promote external growth, we have improved the structure of our acquisition team and made efforts in selective sales and flexible, carefully selected investments. In the current fiscal period, OJR acquired a mid-sized office in Sapporo and a residential property in Fukuoka, both of which can take advantage of OJR's strengths, while selling Hotel Nikko Himeji, which had concerns due to lack of expected improvement in earnings, through property replacement focusing on improving the quality of the portfolio.

In terms of business landscape for internal growth, tenant demand in offices is on a recovery trend, but rents continue to be weak, especially in central Tokyo, due in part to the large supply.

In urban retail facilities, inquiries from restaurants are increasing, but there is limited appetite for opening stores in large plots.

In the residential sector, there are signs of bottoming out in the decline in rents for single types of properties in central Tokyo.

In the hotel section, the environment is becoming favorable for inbound demand in addition to strong domestic demand for lodging, but operational issues remain due to rising personnel and other costs and staff shortages.

In addition, there is a continuing upward trend in property management costs, such as utilities, in terms of expenses for all uses, and these factors have been factored into the budget.

Under these circumstances, the occupancy rate in the fiscal period ended August 31, 2023 improved slightly in office and urban retail properties, and significantly in residential properties compared to the same period of the previous year, as a result of leasing activities emphasizing occupancy. We will continue our policy of focusing on occupancy while striving to maintain and improve rental revenues. In addition, variable rents increased for hotels, reflecting their strong performance.

As for the financial environment, interest rates are rising in Japan and overseas, but there has been no significant change in the lending attitude of financial institutions. In the current fiscal period, we continued to promote sustainable finance initiatives and increased our procurement ratio to approximately 18%. The Company has a commitment line of JPY40.5 billion, and cash on hand is about JPY48 billion, ensuring sufficient liquidity. We will continue to operate with an emphasis on financial stability while taking into consideration the cost of funds.

Retained earnings, which contribute to the stability of distributions, amounted to approximately JPY1.7 billion at the time of the announcement of financial results, or JPY646 per unit, due to the appropriation of the loss on the sale of Hotel Nikko Himeji. We will continue to increase the amount of the internal reserve as much as possible to prepare for any temporary downturn in performance.

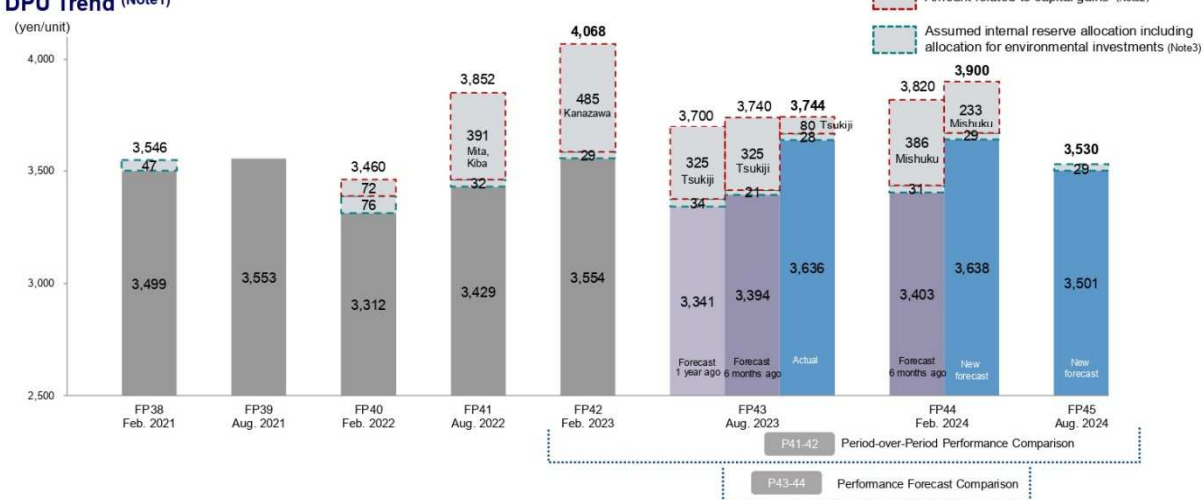
With regard to ESG, the importance of managing for the realization of a sustainable society is increasing, and the ability to respond to the 2050 Net Zero is being called into question. OJR has established a new long-term goal for GHG emissions reduction and strengthened the mid-term goal for 2030, which is the path to achieve the goal as well as a transition roadmap to achieve the goal. We will steadily implement ESG initiatives with the aim of achieving long-term stable growth in investor value.

# Performance Highlights I

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- ▶ **FP43 Actual** : Increased rental revenue in all property types from forecast 6 months ago. Maintained DPU forecast from 6 months ago with internal reserve allocation for a loss on disposition of Hotel Nikko Himeji
- ▶ **FP44 Forecast** : Assume DPU excluding capital gains and internal reserve allocation increase by 7% from forecast of 6 months ago reflecting increase in rental revenue from all property types, mainly offices and hotels
- ▶ **FP45 Forecast** : Assume absence of capital gain, increase in utility costs and decrease in rental revenue mainly from hotels. Expect DPU excluding capital gains and internal reserves allocation to increase from the level of forecast 6 months ago of FP43 and FP44
- ▶ **FP44・45** : Consider to allocate internal reserves to control downside risk to maintain DPU forecast

## DPU Trend (Note1)



Note 1: "Forecast 1 year ago" refers to the DPU forecast as of the financial announcement in the second last fiscal periods and "Forecast 6 months ago" refers to DPU forecasts as of the financial announcement for the last fiscal period.  
 Note 2: "Amount related to capital gains" is calculated by deducting internal reserves from capital gains from property dispositions and then dividing the said calculation results by the number of investment units outstanding.  
 Note 3: "Environmental investments" refers to proactive environmental initiatives (installation of LED lighting and acquisition of accreditations for properties).  
 Note 4: Mita: Round-Cross Mita, Kiba: Beside Kiba, Kanazawa: Cross Residence Kanazawa Kohrimbo, Tsukiji: Round-Cross Tsukiji, Mishuku: Cross Residence Mishuku

Distributions are then explained on page nine.

As for the results for the fiscal period ended August 31, 2023, distributions, excluding amounts related to capital gains JPY3,636, much higher than six months ago forecast due to an increase in rental revenues from all usage of the property. In addition, by using internal reserves to cover the loss on the sale of Hotel Nikko Himeji, distributions are maintained at the six-month ago forecast.

For FYE 2/2024, we assume JPY3,900, an increase of JPY80 from the forecast six months earlier. The increase was mainly due to higher rental revenues from all usage, mainly from offices and hotels, a 7% increase in distributions, excluding amounts related to capital gains.

For FYE 8/2024, distributions are expected to be JPY3,530 due to the decrease in gains on sales, an increase in utilities expenses, and a decrease in rental income from hotels and other properties compared to the previous fiscal period, but distributions excluding the amount related to capital gains. are expected to exceed the levels forecasted six months earlier for the 43rd and 44th fiscal periods.

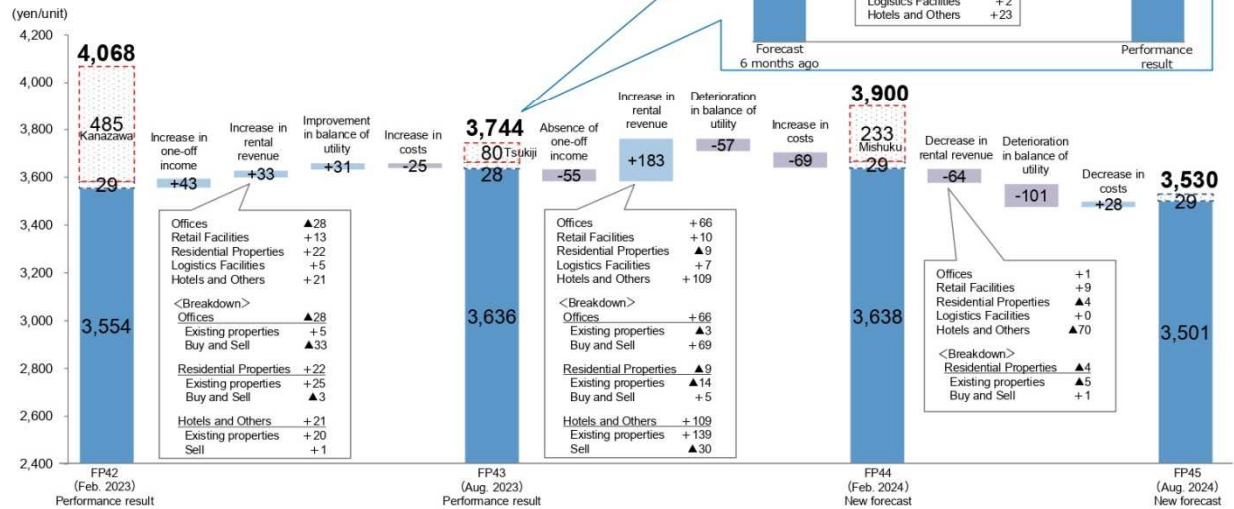
In the event that the distribution is less than these estimated distributions, we will consider using internal reserves.

## Performance Highlights II

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### Variation factors affecting DPU

■ DPU excluding capital gains and internal reserve allocation ■ Positive factor ■ Negative factor  
 [Red dashed box] Amount related to capital gains [Green dashed box] Assumed internal reserve allocation including allocation for environmental investments



Note1: Kanazawa: Cross Residence Kanazawa Kohrinbo, Tsukiji: Round-Cross Tsukiji, Himeji: Hotel Nikko Himeji, Mshuku: Cross Residence Mshuku  
 Note2: Amount related to capital gains in FP43 is the total amount of gain on disposition of Tsukiji (406yen/unit), loss on disposition of Himeji (▲1,178yen/unit) and allocation of internal reserve excluding allocation for environmental investments (852yen/unit)

Please refer to page 10 for the detailed variation factors in this report later on.

## Offices -Occupancy Rates and Tenant Turnover-

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Offices as of financial announcement	Total acquisition price	Share of total portfolio	Properties	Occupancy rate	NOI yield	Yield after depreciation	Average building age	Operating revenue for FP43 (Note 1)
	385.8 bil. yen	55.5%	55	97.2%	4.8%	4.2%	21.7 years	13,685 million yen

► Achieved the improvement of occupancy rates. Plan to continue occupancy-oriented leasing

Occupancy Rates at the End of each Fiscal Period



Move-in / Move-out Floor Space (above) and Rent Fluctuation Rate by Tenant Turnover (below)



Note 1: Gain on sale of real estate property and operating revenues of disposed properties are excluded from the figures. Same as for other property types. Note 2: Figures of move-in / move-out space are rounded to the nearest 100m<sup>2</sup>.

Note 3: Move-in spaces are forecasted based on confirmed contracts (both increase and decrease in rent renewals), as well as assumptions based on inquiries from tenants and leasing market conditions.

Note 4: "Rent fluctuation amount upon turnover for 6 months" indicates the difference between the monthly contract rent of new tenants and that of previous tenants over the 6 months. It does not reflect vacant periods or rent-free contracts, and thus is not an amount of contribution to performance in each fiscal period.

Next, I will explain internal growth. First, regarding the office, please see page 12.

Regarding the occupancy rate shown in the upper line graph, it was 97.2% at the end of fiscal period ended August 31, 2023, slightly higher than the previous assumption. Although the tenant move-out that occurred during the COVID-19 pandemic has subsided and demand for office space is on a recovery trend, we assume that the occupancy rate will remain at around 97%, taking into account the impact of the large supply of office space in central Tokyo with premising that factor in some amount of move-outs.

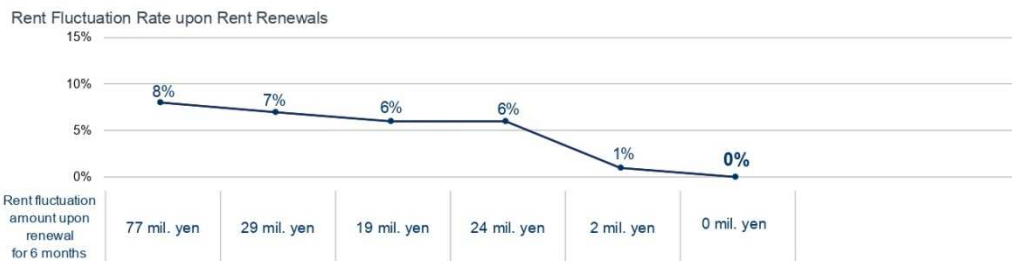
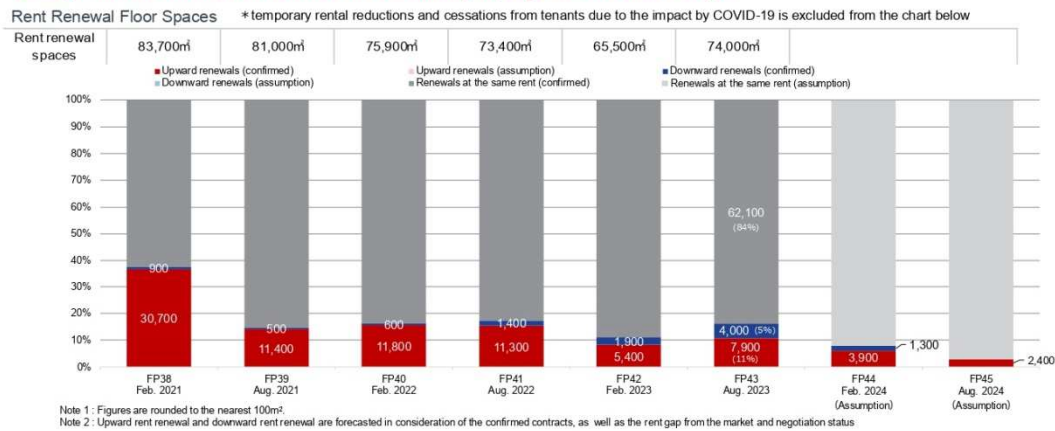
The line graph in the lower row shows the percentage change in rent due to tenant replacement. For the fiscal period ended August 31, 2023, it was minus 12%. The main reason for this large negative figure is that the previous tenant's rent was significantly higher than the current market rent in one of the shop tenants on the first floor of the office. Excluding such one replacement, the figure would be minus 1%. Although the rate of increase/decrease has continued to be negative due to leasing that emphasizes occupancy, the negative range itself has become smaller.

## Offices -Rent Renewals-

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► Achieve upward rent renewals in greater Tokyo and regional areas

► Slight increase in downward rent renewals mainly in properties in central Tokyo



Note: "Rent fluctuation amount upon renewal for 6 months" indicates the difference between the monthly contract rent before and after rent renewals over the 6 months. It is not an amount of contribution to performance in each fiscal period.

Next, please see page 13. Here is the status of rent renewal for existing tenants of offices.

The bar graph in the upper row shows the status of rent renewal at the time of contract renewal by space. Although it is difficult to increase rents in central Tokyo where market rents are declining, we have been able to increase rents in the suburbs of the Tokyo metropolitan area and in regional areas. In the central Tokyo area, the floor space in rent reduction increased slightly due to renewals with tenants paying higher rents than market rents.

The line graph at the bottom shows the percentage change in rent at the time of contract renewal, which was 0% for fiscal period ended August 31, 2023. The renewals at the same rent are expected to continue in the future.

## Diversified tenant base

based on actual rent as of the end of Aug. 2023

► Diversified tenant base mitigates the impact of one tenant move-out

- Number of office tenants<sup>(Note1)</sup>: 943
- Average rented floor space per tenant: Approx. 130tsubo
- No single tenant accounts for more than 2% of the entire portfolio

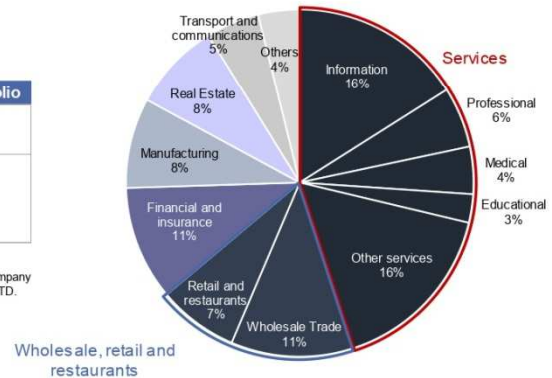
Ranking	Tenant	Property name	Ratio in portfolio
1	Telecom	ORIX Real Estate Nishi Shinjuku Building	Under 2%, 1% or over
2	Advertisement	Shiba 2-chome Daiko Building	
3	IT	Gaien Nishi-dori building	
4	BPO service	ORE Sapporo Building	Under 1%
5	Medical beauty service	ORIX Shinagawa Building	

Note 1: The above figures are all described based on the contracts with end tenants as of the end of Aug. 2023.

Note 2: The above industry category pie chart is made by ORIX Asset Management Corporation, the asset management company of ORIX JREIT Inc., based on TDB sangyo bunrui hyo (Industry category list) published by TEIKOKU DATABANK, LTD.

## Tenant Industry Category <sup>(Note2)</sup>

based on actual rent as of the end of Aug. 2023



Next, please see page 14. This is a tenant analysis in the office section.

As shown in the diversified tenant base on the left, OJR has more than 900 office tenants, with an average leased space of approximately 130 tsubo per tenant, and even the tenant with the largest amount of rent paid per property accounts for less than 2% of the total portfolio rent. Therefore, the impact of the move-out of one tenant on our business performance has been reduced.

The tenant industry category shows no concentration in any particular industry as shown in the pie chart on the right.

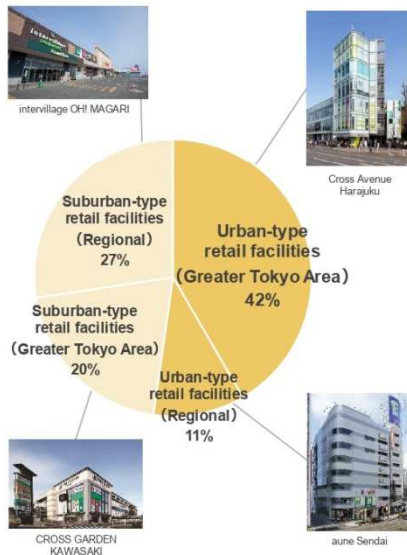
# Retail Facilities

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Retail Facilities as of financial announcement	Total acquisition price	Share of total portfolio	Properties	Occupancy rate	NOI yield	Yield after depreciation	Average building age	Operating revenue for FP43
	105.4 bil. yen	15.2%	26	99.0%	4.8%	4.2%	15.5 years	3,603 million yen

► Achieved higher occupancy rate than expected at urban retail facilities as a result of occupancy-oriented tenant backfilling

Breakdown of Retail Facility Rents  
as of the financial announcement on Oct. 20, 2023



Note 1: "Regional" refers to areas other than the Greater Tokyo Area (Tokyo, Kanagawa, Saitama and Chiba pref.). "Non-urban-type retail facilities" refers to retail facilities other than urban-type retail facilities. "Urban-type retail facilities" refers to retail facilities located adjacent to the terminal stations in the Greater Tokyo Area and other major cities.

Note 2: The industry category is made by ORIX Asset Management Corporation, the asset management company of ORIX JREIT Inc., based on end tenants' main business style. Monthly rent for assumed vacancy indicates the rent backfilled assumed by OAM.

Occupancy rate



Focused property

**JouLe SHIBUYA**  
(Shibuya-ku, Tokyo)

Aug. 2023

62.8%

3 vacant spaces left

1<sup>st</sup> to 3<sup>rd</sup> floors

Approx. 270

tsubo in total



**aune Kyoto Sanjo**  
(Kyoto-shi, Kyoto)

Aug. 2023

68.1%

3 vacant spaces left

3<sup>rd</sup> to 5<sup>th</sup> floors

Approx. 290

tsubo in total



Assumption of monthly rent  
for FP45 (Aug. 2024) <sup>(Note 2)</sup>

Urban-type retail facilities

Vacancy 15 mil. yen



Next, regarding retail facilities, please see page 15.

The ratio of suburban-type and urban-type in retail properties by rents is approximately half as shown in the pie chart on the left.

Please see the line graph in the upper row on the right. The yellow line indicates the occupancy rate of urban retail facilities. After a series of vacancies due largely to the COVID-19 pandemic, we continued to focus on occupancy and leasing without regard to business type or industry category. As such, the occupancy rate for the fiscal period ended August 31, 2023 was 92.6%, much higher than the previous forecast. Most of the properties have recovered from the pandemic, and the remaining properties to strengthen leasing are JouLe SHIBUYA and aune Kyoto Sanjo in the lower row.

Please see the pie chart on the right side of the bottom row. As for the fiscal period ended August 31, 2024, the estimated vacancy of urban retail properties is JPY15 million per month in rent, of which 90% is accounted for by the two properties I mentioned earlier. Inquiries are currently increasing in a wide range of industries, and we will steadily promote recovery.

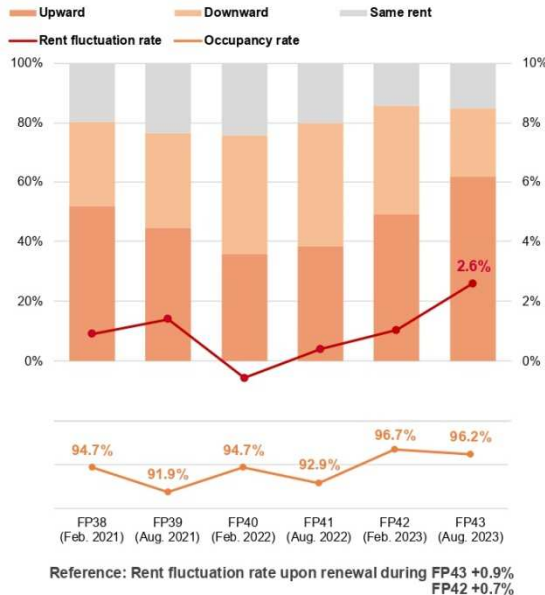
# Residential Properties

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Residential Properties as of financial year-end	Total acquisition price	Share of total portfolio	Properties	Occupancy rate	NOI yield	Yield after depreciation	Average building age	Operating revenue for FP43
	82.1 bil. yen	11.8%	19	96.2%	5.2%	4.3%	14.6 years	2,992 million yen

- ▶ Rent fluctuation rate continues to improve from the bottom in the 40th fiscal period while maintaining the occupancy rate at a certain level
- ▶ Rent fluctuation rate for single type rooms has been improved in all areas.

Change in Rent upon Turnover based on rooms (left axis),  
Rent Fluctuation Rate (right axis) and Occupancy rate (bottom)



Rent Fluctuation Rate by Region and Size for FP43

	Properties	Single Under 40m <sup>2</sup>	Compact Under 60m <sup>2</sup> Over 40m <sup>2</sup>	Family Over 60m <sup>2</sup>	Average	Period-over-Period
6 Central Tokyo Wards	9	-0.2%	+5.3%	+12.7%	+2.7%	+0.9pt.
Remaining Tokyo Wards	6	+3.1%	+0.2%	+1.6%	+1.7%	+2.5pt.
Other Greater Tokyo	1	-1.8%	+4.1%	+4.6%	+3.7%	+1.5pt.
Other Areas	3	+6.9%	+2.5%	+2.7%	+4.0%	+0.7pt.
Average	-	+1.4%	+2.8%	+4.2%	+2.6%	+1.6pt.

Improved for 3 consecutive periods (PoP +0.9pt.)

Effect of Asset Reshuffle on Average Building Age

FP38 as of Feb. 28, 2021	FP44 As of Dec. 1, 2023
Pre-reshuffle	Without reshuffle
13.8 years 14 properties	16.5 years 14 properties
	Post-reshuffle (Note)
	14.3 years 19 properties



Cross Residence Osaka

(Note) Including reshuffle of Cross Residence Mishuku and Cross Residence Nihonbashi Honcho scheduled on the day.

Next, regarding the residential properties, please see page 16.

First, see the orange line graph in the lower left corner. The occupancy rate in the current fiscal period was 96.2%, slightly lower than six months ago due to seasonal factors, but significantly higher than the same period last year.

The bar graph in the upper left corner shows change in rent upon turnover, and the red line graph shows rent fluctuation rate. After bottoming out in FYE 2/2022, the percentage of turnover with increased rent gradually increased, and the rent fluctuation rate continued to improve, reaching a positive 2.6% in FYE 8/2023.

Please see the rent fluctuation rate by area and size in the upper right-hand corner. It should be noted that the single type, which had been struggling with the COVID-19 pandemic, turned positive with an average of 1.4%. This was due to improvements from the previous period in all areas. In particular, as indicated by the red speech bubble, the six wards of central Tokyo improved by 0.9 percentage points from the previous period, which means the improvement for the third consecutive periods.

We will continue our policy of focusing on occupancy while raising the rent level for each property.

## Logistics Facilities

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Logistics Facilities <small>as of financial announcement</small>	Total acquisition price	Share of total portfolio	Properties	Occupancy rate	NOI yield	Yield after depreciation	Average building age	Operating revenue for FP43
	37.1 bil. yen	5.3%	5	100%	5.7%	4.9%	14.9 years	1,219 million yen

- ▶ All OJR's properties are in favorable locations with excellent earnings and performance has remained stable
- ▶ Achieved a rent increase at tenant turnover and contract renewals in several properties

### Komaki Logistics Center (Komaki-shi, Aichi)



Acquisition Price:  
2.7 bil. yen

Good access to Nagoya urban area besides the Tomei and Meishin expressways

### Iwatsuki Logistics Center (Kasukabe-shi, Saitama)



Acquisition Price:  
6.3 bil. yen

Located along National Route 16 within 35km from central Tokyo with excellent access to Greater Tokyo area, northern Kanto region and Tohoku region

### Sakai Logistics Center North Building (Sakai-shi, Osaka)



Acquisition Price:  
10.2 bil. yen

Good access to Kobe and Kansai International Airport adjacent to central Osaka

### Toda Logistics Center (Toda-shi, Saitama)



Acquisition Price:  
9.6 bil. yen

Superior suitability for shipping and easy access to central Tokyo, Chiba and western Tokyo

### Ichikawa Logistics Center (Ichikawa-shi, Chiba)



Acquisition Price:  
8.3 bil. yen

Cargo can be transported through a wide area covering the Tokyo metropolitan area

Next, regarding logistics facilities, please see page 17.

Currently, we own a total of five properties, all of which are conveniently located, highly profitable and stable operation as logistics facilities.

In addition, rent increases were achieved in all cases of contract renewal and turnover of tenants in several properties.

## Hotels and Others I

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Hotels and Others as of financial announcement	Total acquisition price	Share of total portfolio	Properties	Occupancy rate	NOI yield	Yield after depreciation	Average building age	Operating revenue for FP43
	85.2 bil. yen	12.3%	7	99.9%	5.4%	4.3%	24.6 years	2,971 million yen

► **Expect to receive higher rent than Pre-COVID-19 (previous contracts) with (i) strong accommodation demand, (ii) successful strategic guest room renovation and (iii) sales strategy focusing on ADR (Average Daily Rate) at two official theme park hotels (HUP and Maihama), which account for 70% of our hotel portfolio**

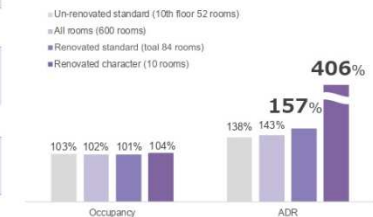
### Hotel Universal Port (HUP)

- FP44: Although the tailwind from the 43rd fiscal period (revenge demand and travel subsidy program) was expected to drop off, we assume to significantly exceed the previous forecast through continued strong demand and the effect of guest room renovation under COVID-19
- FP45: Assume the end of revenge demand and cost increase while inbound tourism is expected. Forecast for GOP and rent are higher than appraisal report.

	Pre-COVID-19 FP36 (Feb. 2020) Actual	FP43 (Aug. 2023) Actual	FP44 (Feb. 2024) Forecast	FP45 (Aug. 2024) Assumption	Appraisal report
Calculation period	From Apr. 2019 to Sep. 2019	From Oct. 2022 to Mar. 2023	From Apr. 2023 to Sep. 2023	From Oct. 2023 to Mar. 2024	
Hotel Sales	Hotel sales 2,939	Hotel sales 3,430 (117% vs. pre-COVID-19)	GOP 1,800	GOP 1,415	GOP Half of annual assumption 1,364
vs. assumption		+99	+642	-	
I. Variable rent	Previous agreement 495	Previous agreement 593 (+19 vs. assumption)	New agreement 1,029 (+334 vs. assumption)	New agreement 829 (no previous assumption)	New agreement 803
II. Fixed rent	Previous agreement 525	New agreement (Partially previous agreement) 254	New agreement 198	New agreement 198	New agreement 200
Total rent (I+II)	1,020	848	1,228	1,028	1,003
		Previous agreement	New agreement		
Terms		5-year from April 2, 2018	5-year from April 2, 2023		
Fixed rent		525 mil. yen/fiscal period	200 mil. yen/fiscal period (Note1)		
Variable rent		Based on hotel sales	Based on GOP (Note2)		
Rent ratio based on an appraisal report		5 : 5 (Fixed : Variable)	2 : 8 (Fixed : Variable)		

(Note1) The contracted rent is 200 million yen per period, but revenue is recorded at 198 million yen per period due to free rent accounting.  
(Note2) "GOP" stands for Gross Operating Profit, indicating the amount deducting expenses relating to the hotel operation from the amount of sales of the hotel.  
(Note3) GOP: 100mil. yen fluctuation = Variable rent: Approx. 52mil. yen = DPU: Approx. 19 yen (GOP: Range of over 1,050mil. yen)

### Successful renovation under COVID-19 (April to August 2019 vs April to August 2023)



Next, regarding hotels and others, please see page 18.

Regarding Hotel Universal Port, or HUP for short, and Tokyo Bay Maihama Hotel First Resort, or Maihama for short, official hotels of the theme parks, which account for 70% of the hotel portfolio, the sales strategy of strategically renovating rooms and focusing on the average room rate have been successful in capturing the strong demand for accommodation. As a result, the rent received by OJR is expected to be higher than before the COVID-19 pandemic.

As for HUP, the average room rate per room is expected to increase in FYE 2/2024 from before the COVID-19 pandemic due to continued strong demand for accommodation under the new contract and the renovation of rooms at during the pandemic; hence, the rents are expected to be significantly higher than pre-COVID-19 pandemic and the previous forecast. Please refer to the bar graph on the right for the effect of the room renovation. The occupancy rate and ADR are compared between pre-COVID-19 pandemic in 2019 and this year's respective April-August periods. The gray bar graph on the right hand side of ADR for standard rooms that have not been renovated is 138% increase from pre-COVID-19 pandemic due to the recovery in demand for rooms after COVID-19. The two purple bars on the far right represent the standard rooms and character rooms that were renovated to take advantage of the closure period during the pandemic, and shows significant growth of 157% and 406%, respectively, over pre-COVID-19 levels. The Company recognizes that the strategic renovation in addition to the recovery in demand has been successful.

Returning to the table on the left, the fiscal period ended August 31, 2024 takes into account a recovery round demand and rising cost. It is expected to exceed the rents before COVID-19 or in the appraisal report provided as reference.

## Tokyo Bay Maihama Hotel First Resort (Maihama)

- Overall hotel sales are expected to be 90% range of pre-COVID levels due to weak recovery in the F&B sales including wedding while accommodation sales are expected to exceed pre-COVID levels with robust demand
- Assuming to be higher rent than pre COVID-19 rent even excluding the additional charge for previous temporary rent reduction during the midst of COVID-19

	Pre-COVID-19	(million yen)		
	FP36 (Feb. 2020) Actual	FP43 (Aug. 2023) Actual	FP44 (Feb. 2024) Assumption	FP45 (Aug. 2024) Assumption
Variable rent calculation period	-	From Dec. 2022 to May 2023	From Jun. 2023 to Nov. 2023	From Dec. 2023 to May 2024
Hotel Sales	3,512 (From Sep. 2019 to Feb. 2020)	3,249	3,227	3,300
vs. previous forecast		+225	+117	-
vs. pre-COVID-19		93%	92%	94%
	Previous agreement	New agreement	New agreement	New agreement
I. Variable rent	-	448	452	459
vs. previous forecast		+19	+10	-
II. Fixed rent	875	450	450	450
(I+II) vs. pre-COVID-19 (previous agreement)		103%	103%	104%
III. The previous temporary rent reduction amount	-	108	108	108
Total rent (I+II+III)	875	1,006	1,010	1,017
vs. pre-COVID-19 (previous agreement)		115%	116%	116%

(Note) Renewed in April 2022



- New area "Fantasy Springs" is scheduled to open at Tokyo Disney Sea in Spring 2024

Then, please, see page 19.

As for Maihama, the hotel's room sales will exceed the pre-COVID-19 due to strong demand for accommodation, but the food and beverage department is still in the middle of recovering, so overall hotel sales are expected to remain at 90% of the pre-COVID-19.

The rent to be received is expected to be higher than pre COVID-19 even excluding the additional charge for previous temporary rent reduction during the midst of COVID-19

## ▶ Improving portfolio quality through consistent asset reshuffling



Then, regarding external growth, please see page 22.

This will be the result of property reshuffling to improve the quality of the portfolio from 2019. As you can see, there has been a steady reshuffling every fiscal period.

# Purpose of the Disposition

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- ▶ Improve portfolio quality through disposing “Hotel Nikko Himeji”

## Overview of the Disposition



Property name	Hotel Nikko Himeji	Contract date of the Disposition	August 25, 2023
Asset Type	Hotels and Others	Disposition date	August 31, 2023 (Buyer: Not - disclosed)
Address	100 Minami Ekimae-cho, Himeji-shi, Hyogo	Disposition price	1,832 million yen
Acquisition date	September 30, 2016	Appraisal value	3,050 million yen (Date of value: Feb. 28, 2023, Japan Real Estate Institute) <Reference> 1,780 million yen (Date of value: July 31, 2023, Tanizawa Sogo Appraisal Co., Ltd.)
Acquisition price	4,800 million yen	Book value	5,062 million yen
NOI yield (Feb. 2023)	1.3%	Estimated gain/loss on disposition	-3,251 million yen
Yield after depreciation (Feb. 2023)	-0.6%		

## Reason of the Disposition

### Changes in management environment

- The hotel performance has been sluggish due to a greater-than-expected decrease in the number of hotel guests in Himeji and the opening of competing hotels.
- Accommodation income has been recovered to exceeding pre-COVID19, but it's still far from OJR's original expectation.
- Wedding and banquet sales are unlikely to recover as people's lifestyle changes due to the COVID-19 pandemic.

### Avoidance of impairment risk

- We have faced a significant decline in appraisal value and the risk of impairment.
- If an impairment loss is materialized, this loss would not be considered as deductible expense for tax purposes. Therefore, investors will not be able to utilize the tax benefits which could be negative impact to unitholders' value.

### Improvement of portfolio quality

- There are low probability of performance improvement and dividend contribution in the future, therefore we aim to improve portfolio quality through disposition.

## Backdrop of the Disposition

### Option 1

#### Continue to work with current hotel manager and operator

- Although we have been working with the hotel management company and the hotel operator, drastic improvement of profitability is expected to be challenging even if additional investments are made.

### Option 2

#### Continue to own with re-tenancy

- Demand for opening new full-service hotels is currently limited.
- Even if re-tenancy is realized, rent levels are expected to decline and additional investment is expected, therefore to achieve better conditions are not realistic.

### Option 3

#### Disposition

- The impairment risk will be materialized over the future because of low probability of performance improvement.
- The loss on disposition can be minimized through the Disposition at a timing of strong real estate market.

⇒ After considering each option, we decided that “Disposition” is the best way to improve the portfolio quality and ensure the unitholder value

Next, please see page 25.

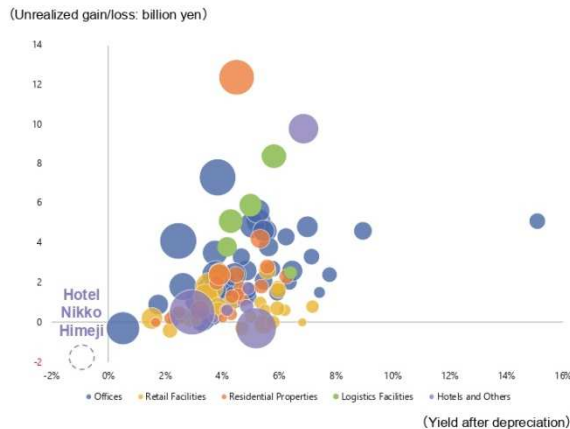
With regard to Hotel Nikko Himeji, we have been working with the hotel management company to improve this particular hotel due to changes in the environment after the acquisition and the COVID-19 pandemic. We could not expect an improvement in earnings and no contribution to distributions, and we were facing impairment risk due to a marked decline in the appraisal value.

Since there was no expected improvement in earnings and no contribution to distributions, and the property was at risk of impairment due to a significant decline in appraisal value, we decided to minimize the loss on sale by selling the property in an environment where the real estate transaction market was favorable. In other words, we made the decision that improving the quality of the portfolio by selling the property rather than continuing to hold it would be the best strategy for investor's value over the medium to long term.

## Improving Portfolio Quality through Consistent Asset Reshuffling | 26

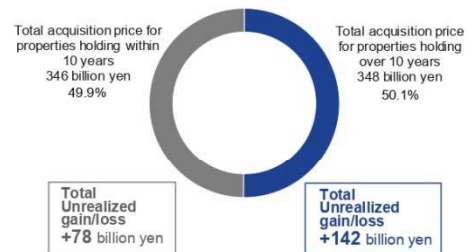
- ▶ Continue to improve portfolio quality through asset reshuffling
- ▶ In the current environment where the real estate transaction market is strong, there is room for realization of unrealized gains through property sales and expansion of internal reserves

### OJR's Portfolio



Note: Figures are for properties owned as of financial announcement on October 20, 2023. The size of the circle represents the acquisition price.

### Portfolio by Holding Period



#### Properties holding over 10 years

Asset type	Acquisition price (billion yen)	Unrealized gain/loss (billion yen)
Offices	222	81
Retail Facilities	50	10
Residential Properties	30	18
Logistics Facilities	30	22
Hotels and Others	15	9

Note: It indicates the holding period as of financial announcement on Oct. 20, 2023 for properties owned as of the same day. "Unrealized gain/loss" is calculated by the difference between "Appraisal Value" and "Book Value" as of the end of fiscal period ending Aug. 2023 and rounded down to the nearest whole number. "Acquisition price" is rounded down to the nearest whole number. Therefore, the total amount of acquisition price and unrealized gain/loss for each asset type does not match "total acquisition price" and "total unrealized gains / losses" of properties held for more than 10 years.

Next, please see page 26.

The graph on the left is plotted for properties owned by OJR based on yield after depreciation on the horizontal axis and unrealized gains/losses on the vertical axis. The size of the circle represents the amount of the acquisition. You can see that the sale of Hotel Nikko Himeji, which contributed little to earnings and had unrealized losses in the lower left corner, improved the quality of the portfolio in terms of yield and unrealized gains.

As shown in the pie chart on the right, properties held by OJR for more than 10 years account for approximately half of the total acquisition price, and unrealized gains/losses on these properties amounted to JPY142.4 billion as of August 31, 2023.

In the event of gains from the sale of assets, the policy of reserving internal reserves for flexibly dealing with temporary fluctuation factors in future distributions by implementing reduction entry through the replacement of assets held for longer than 10 years and accumulating internal reserves to the extent possible will continue as before. In addition, in the event of future sales of properties that will result in a loss on sales, we will consider methods that take into account the impact on distributions, such as utilizing internal reserves or combining properties that should be sold and will generate a gain on sales.

## ► Maintaining financial stability

### Financial Indicators

	End of FP 43 Aug. 31, 2023	As of financial announcement on Oct. 20, 2023
Interest-bearing liabilities	292 billion yen	292 billion yen
Sustainable finance ratio	15.8 %	18.1 %
LTV based on total assets	43.1 %	43.1 %
Average interest rate	0.56 %	0.56 %
Average funding cost	0.69 %	-
Fixed-rate debt ratio	93.8 %	93.0 %
Average duration to maturity	4.0 years	4.0 years
Cash and deposits including trust accounts	48 billion yen	-

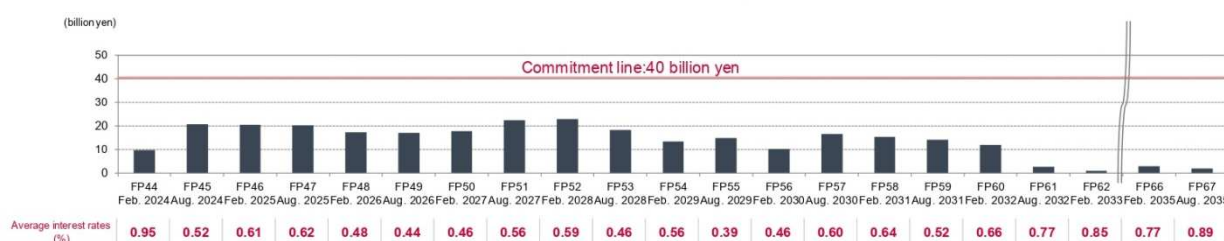
### Credit Ratings as of financial announcement on Oct. 20, 2023

R&I	Issuer rating	: AA - (Stable)
JCR	Long-term issuer rating	: AA (Stable)

### Targets for Sustainable Finance Ratio

- 30% by March 2027
- 50% by March 2030

### Maturity and Duration of Interest-Bearing Liabilities as of financial announcement on Oct. 20, 2023



Please see page 29 for the financial strategy that follows.

We have placed emphasis on financial stability and have staggered repayment deadlines while giving due consideration to costs. See table at top. In response to the environment of rising interest rates, we refinanced some of our fixed-rate loans with floating interest rates and shortened the terms of some of our loans, taking into consideration the cost of borrowing. As of the date of the financial announcement, the average remaining maturity will remain at four years and the average funding rate will be 0.56%. The current fixed interest rate ratio is 93%, which is a sufficiently stable financial base.

As shown in the bar graph at the bottom, we believe that the impact of an increase in interest rates will be minimized and will not have a sudden and significant impact on distributions because of the diversification of repayment deadlines. We will continue to maintain our policy of long-term, fixed, and diversified finance with due consideration to cost.

### Accreditation by external organizations



**GRESB Rating: "5 Star"**  
(3 consecutive years)  
**GRESB Real Estate Assessment:**  
"Green Star"  
(9 consecutive years)



**GRESB Public Disclosure:**  
"A"  
(6 consecutive years)



We have worked to make steady progress and achieved an "A-" rating in 2022.

\*The initial rating was "B", but the score has been changed to "A-" in August 2023 after the deep review.

### Initiatives to support TCFD recommendations

We further deepened "Scenario analysis of Climate Change Risks and Opportunities in line with the TCFD" disclosed in 2021 and assumed future financial impact on the 2nd TCFD Scenario Analysis in 2022.



### Sustainability Linked Loan

In order to promote sustainable finance with financial institutions, we launched a sustainability linked loan for the first time based on newly formulated "Guidelines for Sustainable Finance" and "Sustainability Linked Finance Framework."

	Sustainability Performance Targets of the framework	Reference Period
1	Achieve 14% reduction in CO2 emissions from 2021 levels by 2024 in line with SBT <sup>(Note)</sup> "Near-term target"	Period ending March 31, 2025
2	For each year from 2025 to 2029, an equal reduction between the 2024 target (14% reduction from 2021) and the 2030 target (42% reduction from 2021)	For a year ending March 31 of each year
3	Achieve 42% reduction in CO2 emissions from 2021 levels in 2030 in line with SBT "Near-term target"	For a year ending March 31, 2031

Note: SBT stands for Science Based Targets which is a greenhouse gas emission reduction target based on climate science.

\*Please see our website to view details about our ESG initiatives([https://www.orixreit.com/en/feature/initiatives1.html?id=ini\\_01\\_06](https://www.orixreit.com/en/feature/initiatives1.html?id=ini_01_06))


Finally, I would like to introduce our ESG initiatives.

In terms of evaluations by external organizations, we have received the highest 5-star rating from the GRESB for three consecutive years and an "A-" rating from the CDP.

In addition, to advance ESG initiatives in our financing, we took out a sustainability-linked loan for the first time in our history.

► **Newly formulated the long-term targets and strengthened our medium-term targets for 2030 to achieve 2050 net zero.**

OJR has conducted scenario analyses in accordance with the TCFD Recommendations in 2020 and 2021, and has been evaluated climate change risks. As the next step, we have newly formulated the following long-term targets and have further strengthened our medium-term targets for 2030 to achieve 2050 net zero.

Previous targets			New Targets		
Mid-term Target	Target year	2030	2030	<b>Validated by SBTi as a Near Term Target</b>  <b>SCIENCE BASED TARGETS</b> <small>DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</small>	
	Base year	2018	2021		
	Reduction rate	35%	42%		
	Reduction target	For properties that are under OJR's operational control	Scope1, Scope2 and Scope3 that are under OJR's operational control		
	Calculation Criteria	CO2 Emission Emission intensity	GHG emission Emission intensity and total emission		
Long-term Target	Work toward the long-term goal of achieving net-zero emissions by 2050		Not-changed	<b>Submitted for SBTi long-term target validation</b>	
	Target year	-	2050		
	Reduction rate	-	Reduce substantially 90% or more compared to 2021		
	Reduction target	-	Total GHG emission (Scope1, Scope2 and Scope3) including OJR's supply chain		

(Note) SBTi : Science Based Targets initiative

OJR has conducted scenario analysis in line with the TCFD recommendations for 2020 and 2021, and has been assessing climate change risks.

As the next step, we have now established a new long-term goal to achieve net zero emissions by 2050, and have further strengthened our medium-term goal for 2030.

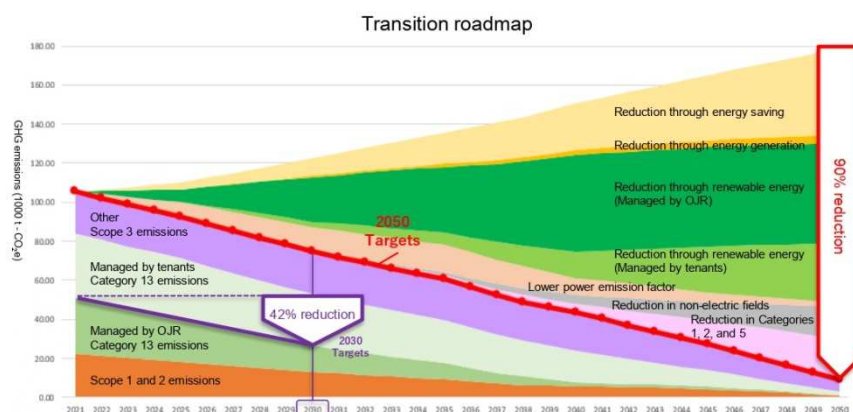
## Formulated a transition roadmap in order to achieve our targets

- By 2030, we will not only expand our existing energy-saving efforts but also the use of renewable energy, with the goal of sourcing 50% of electricity under contract by OJR from renewable energy sources (including the use of non-fossil fuel certificates).
- In the run-up to 2050, we aim to achieve the utilization of 100% renewable electricity by 2040 and will collaborate with tenants to promote emission reductions in tenant areas.
- We also plan to monitor progress in non-electric emissions and emissions from the supply chain such as services used, repairs, and waste disposal outsourcing, and take action through engagement such as verifying response status and requesting reductions.

## Dialogue with Stakeholders

A stakeholder meeting was held as a special feature for the 2023 ESG Report. We developed the transition roadmap with valuable feedback from stakeholders.

For the detail of our stakeholder meeting, please refer to ESG Report on our website.



A transition roadmap to achieve this goal is provided. This roadmap was developed based on the feedback we received from our stakeholders. For details, please refer to this document as well as the ESG report available on OJR's website.

Finally, I would like to summarize our future growth strategy. In external growth, we will focus on property reshuffling to reduce the downside risk of rental revenue by improving the quality of our portfolio. In particular, we intend to continue to ensure that sales are executed in this environment. For internal growth, we will strive to maintain and improve occupancy rates and increase rental revenue through occupancy-oriented leasing. We will continue to aim for stable growth in investor value by placing ESG at the foundation of our management and making full use of flexible strategies that leverage our strengths as a diversified REIT.

This concludes the report on the 43rd fiscal period ended August 31, 2023 and the explanation of the management policy. Thank you for your listening.

[END]