

For Immediate Release

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**ORIX JREIT Announces Acquisition of “Cross Residence Iidabashi”
and Disposition of “Round-Cross Mita”**

TOKYO, December 24, 2021 — ORIX JREIT Inc. (“OJR”) announced that its asset management company, ORIX Asset Management Corporation (“OAM”), passed a resolution on the acquisition and disposition of properties (hereafter, “the acquisition” and “the disposition,” and referred to collectively as “the exchange”), as described below.

1. Transaction Summary

- 1) Transaction party: NIPPON STEEL KOWA REAL ESTATE CO.,LTD.
- 2) Contract date: December 24, 2021
- 3) Transaction date: April 1, 2022^(Note 1)
- 4) The Acquisition Summary:

Property name	Cross Residence Iidabashi ^(Note 2)
Specified asset category	Real Estate
Type	Residential Property
Area	6 Central Tokyo Wards ^(Note 3) (Shinjuku-ku, Tokyo)
Acquisition price	6,000 million yen
Appraisal value	6,600 million yen
NOI yield ^(Note 4)	4.0%
Yield after depreciation ^(Note 5)	3.2%

- 5) The Disposition Summary:

Property name	Round-Cross Mita
Specified asset category	Real Estate
Type	Office
Area	6 Central Tokyo Wards ^(Note 3) (Minato-ku, Tokyo)
Disposition price	1,800 million yen
Appraisal value	1,720 million yen
Book value	1,639 million yen ^(Note 6,7)
Estimated gain/loss on disposition	133 million yen ^(Note 6,7)

- 6) Intermediary: None

Note:

1. Each purchase and sale agreement pertaining to the replacement (hereinafter collectively the “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:
 - i. 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 and the disposition price of the property to be disposed 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.
2. The current name of the property is “Livio Maison Iidabashi” as of today. OJR intends to change the name post acquisition.
3. “6 Central Tokyo Wards” refers to Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa wards.
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 figures are rounded to the one 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 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.
6. Figures are rounded down to the nearest million yen.
7. Book value is an estimate as of transaction date. Estimated gain/loss on transfer is pro forma amount based on the book value and assumed transfer expenses. The amount is subject to change.

2. Purpose of the Exchange

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)”.

Under this policy, despite acquiring properties remains to be competitive, OJR decided on this exchange with a 3rd party to avoid missing out on opportunities that can better utilize our own strengths.

Note:

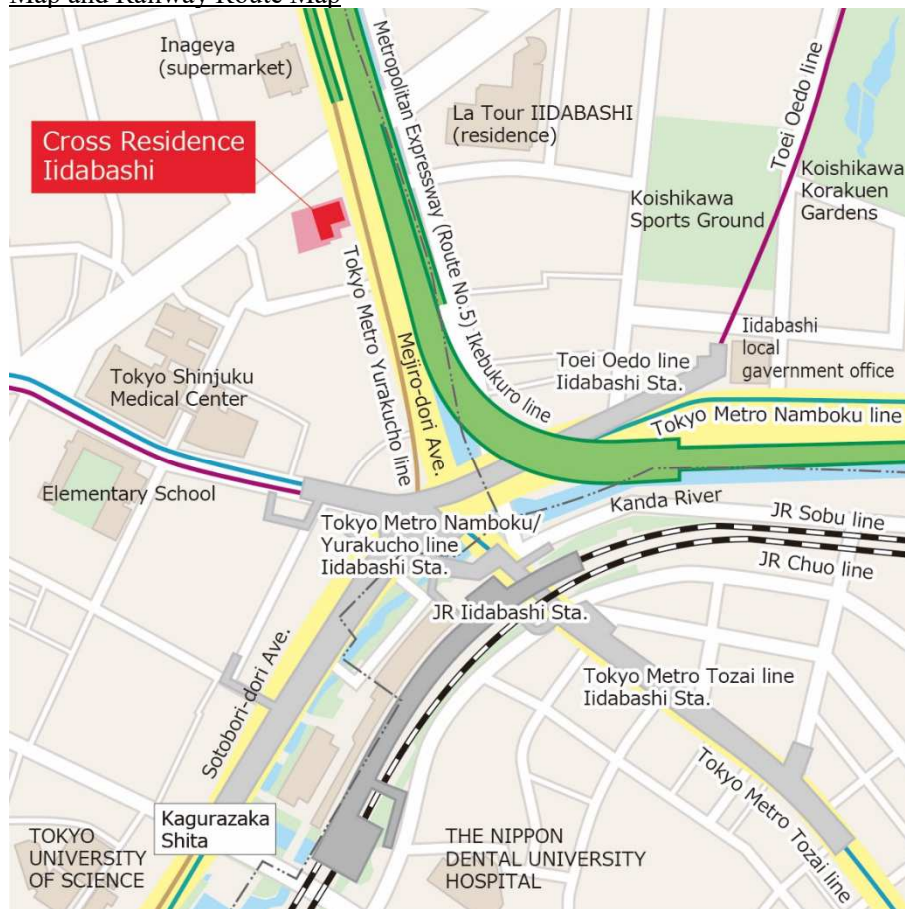
1. The “ORIX Synergy” refers to the cooperative relationship between ORIX Corporation and its group companies, and OJR.
2. The “Direct PM” refers to the supplemental work of property management operations including leasing activities and activities to improve property value by OAM while utilizing the 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 “Cross Residence Iidabashi”

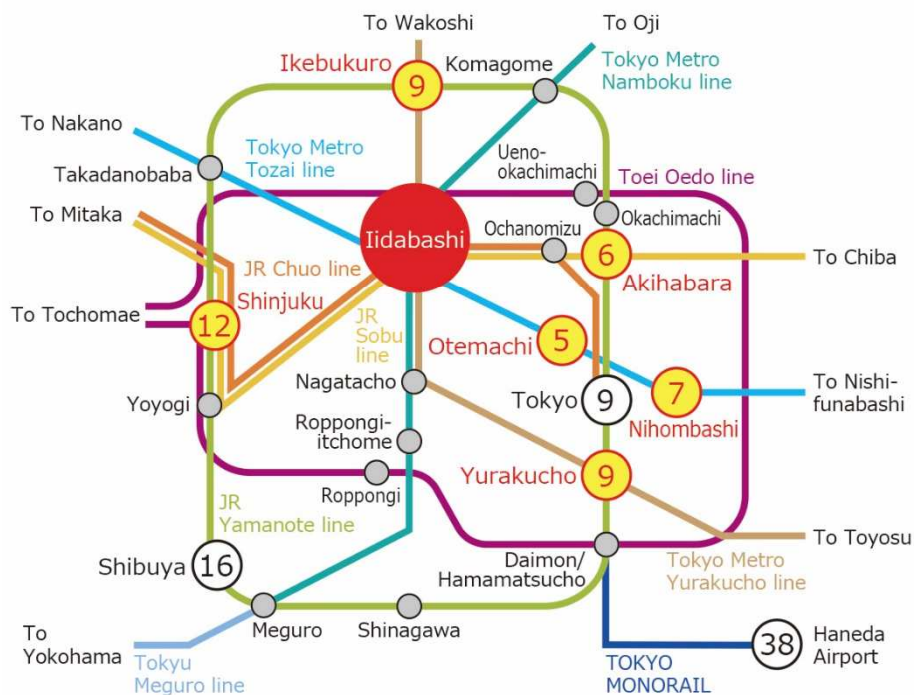
Although the occupancy rate has remained in the 80% range due to the impact of COVID-19, from the following reasons we anticipate high competitiveness and stable demand over a medium-to long-term.

- It is located approximately a 4-minute walk from Iidabashi Station which has access to 5 public transport lines including the JR Chuo/Sobu Line, the Tokyo Metro Yurakucho Line, Tozai Line, Namboku Line and the Toei Oedo Line.
- On the first floor of the property is a convenience store as well as supermarkets, restaurants, hospitals and other facilities in the vicinity of the property making it highly convenient. Additionally, one of prominent neighborhoods in Tokyo named Kagurazaka is within walking distance.
- A scarce large-scale residence recently built (approximately 3 years) with a high-grade entrance, indoor hallway, security system, and interior and equipment. (142 rentable units: 80% for 1K units, 20% for 2 LDK units)

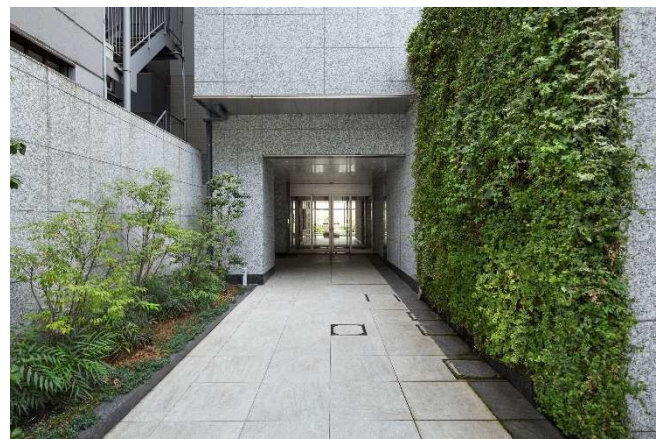
Map and Railway Route Map



● Examples of stations that are available from Iidabashi station without transferring. Numbers are required time (minutes) including transferring/waiting time.



Photo



2) Purpose of the Disposition of “Round-Cross Mita”

- This property was owned upon listing since 2002 and the building is now in its 31st year since construction and thus additional CAPEX and repair costs will be needed in the future.
- The location of this property has attracted a certain level of office leasing demand under COVID-19, however a decline in relative competitiveness will remain to be a concern as the building ages further.

3. Summary of Property to be Acquired

Property name		Cross Residence Iidabashi				
Specified asset category		Real Estate				
Address ^(Note1)		1-16 Shin-ogawamachi, Shinjuku-ku, Tokyo				
Public transit access		Approx. 4-minute walk from “Iidabashi” station on JR Chuo/Sobu line, Toei Oedo line and Tokyo Metro Yurakucho line and others				
Land	Registered Area	1,124.79m ²				
	Type of ownership	Full ownership				
Building	Registered usage	Residential, Retail				
	Registered completion date	January 2019				
	Type of ownership	Full ownership				
	Registered Area	5,594.89m ²				
	Registered construction	Reinforced concrete with flat roof, 13 floors				
Earthquake resistance (with or without earthquake insurance)		PML ^(Note2) : 5% *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	October 25, 2021			
		Total amount of 12 years from the date of inspection	32 million yen ^(Note3)			
		Replacement Cost	1,831 million yen ^(Note3)			
Summary of Rental status as of November 30, 2021						
		Number of tenants	1 (Pass through-type master lease agreement)			
		Gross rental income excluding parking	22 million yen per month ^(Note3)			
		Security deposits including parking	52 million yen ^(Note3)			
		Total rent space	3,812.83 m ²			
		Total rentable space	4,619.88 m ²			
Occupancy rate of end tenants during past 5 years		November 2017	November 2018	November 2019	November 2020	November 2021
		-(Not Completed)	-(Not Completed)	86.0%	97.8%	82.5%
Special notes		None				
Estimated net operating income (NOI)		230 million yen per annum ^(Note3) 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:95.8%				

Note:

1. 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.

2. PML (Probable Maximum Loss) shows the ratio of cost of recovering a building after it is damaged to its state before the damage occurred against replacement cost, when assuming an earthquake that may occur once in 475 years in average in probability statistics (recurrence interval of 475 years). The earthquake risk of a building is evaluated based on the event risk curve that shows the relationship of amount of expected loss (horizontal axis) and probability for the loss to exceed the year (vertical axis).
However, the risk curve has variability because loss evaluation comes with uncertainties in earthquake resistance performance of the building, behavior of earthquake vibration, etc. Accordingly, the above PML figures use the risk curve with credibility level of 90%, and are rounded to the nearest whole number.
3. Figures are rounded down to the nearest million yen.

4. Summary of Property to be Disposed

Summary of Property to be Disposed					
Property name	Round-Cross Mita				
Type of ownership	Full ownership				
Address	5-5-1 Shiba, Minato-ku, Tokyo (Note1)				
Appraised value (Date of value)	1,720 million yen (December 1, 2021)				
Summary of rental status (As of November 30, 2021)					
	Number of tenants	4			
	Gross rental income	9 million yen per month (Note2)			
	Security deposits	102 million yen (Note2)			
	Total rent space	2,250.11 m ²			
	Total rentable space	2,297.19 m ²			
Occupancy rate during past 5 years	August 2017	August 2018	August 2019	August 2020	August 2021
	100%	100%	98.0%	98.0%	98.0%
Special notes	None				

Note:

1. 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.
2. Figures are rounded down to the nearest million yen.

5. Profile of the Transaction Party

As of December 2, 2021

Company name	NIPPON STEEL KOWA REAL ESTATE CO.,LTD.
Address	1-8-1 Akasaka, Minato-ku, Tokyo
Representative	President and CEO Yasuhiko Imaizumi
Primary Business	Real estate ownership, transaction, leasing and appraisal, etc
Capital	19.8 billion yen
Date of establishment	March 24, 1997
Net Assets (As of March 31, 2021)	221 billion yen
Total Assets (As of March 31, 2021)	1,058 billion yen
Major shareholders (As of March 31, 2021)	NIPPON STEEL CORPORATION 45.0% and others
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 transaction party does not fall under the category of a related party of OJR nor OAM.

7. Payment terms

Settlement terms: 100% on delivery

Funding method: Proceeds from the disposition and cash on hand

The exchange is based on the assumption that the acquisition and the disposition will be conducted simultaneously. If the execution of either the acquisition or the disposition is suspended for any reason, the entire exchange will be suspended.

8. Future Outlook

There will be no change in the earnings and distributions forecast for the 40th fiscal period from September 1, 2021 through February 28, 2022 and the 41st fiscal period from March 1, 2022 through August 31, 2022 announced in “Financial Results for the 39th Fiscal Period” dated October 20, 2021.

As for gain on the Disposition, OJR is planning to set it aside as internal reserve to stabilize future DPU, by applying “Special provisions for taxation in case of replacement by purchase of specified assets” in Article 65-7 of the Act on Special Measures Concerning Taxation.

9. Appraisal Summary

Name of asset	Cross Residence Iidabashi	
Date of value	December 1, 2021	
Appraisal value (In thousands of yen)	6,600,000	
Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD	
(In thousands of yen)		
Item	Content	Grounds
Income Approach Value	6,600,000	Income approach value is determined with emphasis on income approach value by the DCF method, with income approach value taking the direct capitalization rate method into consideration
Valuation by the Direct Capitalization Method	6,760,000	
(1) Gross Operating Revenue [(a)-(g)]	292,414	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	306,725	
(b) Rental income	286,132	Assessed taking factors such as the level of rents and CAM charges at similar properties into consideration
(c) CAM income	18,145	Same as above
(d) Utility reimbursement	0	
(e) Parking Fee income	86	Assessed taking factors such as the level of parking fees at similar properties into consideration
(f) Other income	2,362	Assessed renewal fee income
(g) Vacancy loss	14,311	Assessed taking factors such as the actual occupancy of similar properties and future market trend forecasts into consideration
(2) Operating Expenses	51,147	
Maintenance Expense	8,933	Recorded estimates
Utility Expense	2,011	Assessed in reference to actual amounts
Repair Expense	5,579	Assessed in reference to estimates stated in the engineering report and level of expenses at similar properties
Property Management Fee	5,506	Assessed based on estimates
Tenant Advertisement Cost	11,313	Assessed in reference to the cost level for the similar real estate
Tax and Public Dues	15,789	Recorded estimated tax amounts assessed in reference to the latest actual amounts
Casualty Insurance	338	Recorded estimate amounts
Other Expenses	1,675	Assessed in reference to the past results and the level of expenses for similar properties as contingency fund for maintenance expenses and other expenses
(3) Net Operating Income [(1)-(2)]	241,267	
(4)Profit from Managing Security Deposit	497	Assessed based on rate of return of 1.0%
(5)Capital Expenditure	5,128	Assessed in reference to the renewal cost estimates stated in the engineering report and the level of repair costs for similar real estate taking CM fees into consideration
(6)Net Revenue [(3)+(4)-(5)]	236,636	
(7)Cap Rate	3.5%	Assessed in reference to interviews with investors, with a method of comparison with valuation examples for similar real estate as the standard
DCF Method	6,530,000	
Discount Rate	3.3%	Assessed by jointly using the method of calculating from a comparison with similar real estate cases and the method of calculating the yield of financial assets by taking into account the individuality of the real estate, and by referring to interviews with investors, etc.
Terminal Cap Rate	3.7%	Assessed in comprehensive consideration of future investment yield trend, possible risk to invest in the subject property, general prediction of economic growth rate and real estate price trend in reference to the transaction yield for similar real estate
Cost Approach	7,170,000	
Ratio of Land	75.2%	
Ratio of Building	24.8%	
Additional considerations made in the reconciliation of evaluation	N/A	

Name of asset	Round-Cross Mita	
Date of value	December 1, 2021	
Appraisal value (In thousands of yen)	1,720,000	
Appraiser	Chuo Real Estate Appraisal Co., Ltd.	
(In thousands of yen)		
Item	Content	Grounds
Income Approach Value	1,720,000	Income approach value is determined with emphasis on income approach value by the DCF method, with income approach value using the direct capitalization method also taken into consideration
Valuation by the Direct Capitalization Method	1,710,000	
(1) Gross Operating Revenue [(a)-(g)]	119,249	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	125,977	
(b) Rental income	110,032	Assessed taking factors such as rent and CAM charges under the existing lease agreement and other arrangements and the level of rents and CAM charges at similar properties into consideration
(c) CAM income	0	
(d) Utility reimbursement	12,128	Assessed based on actual past data, taking the level of utilities income of similar properties into consideration
(e) Parking Fee income	1,500	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	2,317	Assessed based on actual past data
(g) Vacancy loss	6,728	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	38,533	
Maintenance Expense	9,373	Assessed based on contract conditions, taking factors such as past data and level of expenses of similar properties into consideration
Utility Expense	8,299	Assessed based on actual past data, taking factors such as level of expenses of similar properties into consideration
Repair Expense	2,438	Assessed based on ER
Property Management Fee	2,070	Assessed based on contract conditions
Tenant Advertisement Cost	1,162	Same as above
Tax and Public Dues	15,036	Assessed based mainly on most recent actual amounts
Casualty Insurance	155	Same as above
Other Expenses	0	
(3) Net Operating Income [(1)-(2)]	80,716	
(4)Profit from Managing Security Deposit	869	Assessed based on rate of return of 1.0%
(5)Capital Expenditure	6,143	Assessed based on ER
(6)Net Revenue [(3)+(4)-(5)]	75,442	
(7)Cap Rate	4.4%	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	1,730,000	
Discount Rate	4.2%	Assessed with reference to investment yields in transactions of similar properties and taking into consideration factors such as the individual features of the property and valuation scenarios
Terminal Cap Rate	4.6%	Assessed with reference to investment yields in transactions of 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	1,650,000	
Ratio of Land	89.7%	
Ratio of Building	10.3%	
Additional considerations made in the reconciliation of evaluation	Determined by adopting income approach value in reference to cost approach as demand for the subject property is considered to emphasize profitability	

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.