

For Immediate Release

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**ORIX JREIT Announces Acquisition of “Cross Residence Nihonbashi Honcho”
and Disposition of “Cross Residence Mishuku”**

TOKYO, March 31, 2023 — 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: Cosmos Initia Co., Ltd.
- 2) Contract date: March 31, 2023
- 3) Transaction date: December 1, 2023^(Note 1)
- 4) The Acquisition Summary:

OJR will acquire the Property after the following conditions precedent such as I and II have been fulfilled by the seller.

I. Construction of the property is completed. (Scheduled in November 2023)

II. Necessary permissions and approvals for the property is granted by the authority.

Property name	Cross Residence Nihonbashi Honcho ^(Note 2)
Specified asset category	Real Estate
Type	Residential Property
Area	6 Central Tokyo Wards ^(Note 3) (Chuo-ku, Tokyo)
Acquisition price	2,200 million yen
Appraisal value ^(Note 4)	2,510 million yen
NOI yield ^(Note 5)	3.8%
Yield after depreciation ^(Note 6)	3.2%

- 5) The Disposition Summary:

Property name	Cross Residence Mishuku
Specified asset category	Real estate trust beneficiary interest
Type	Residential Property
Area	Remaining Tokyo Wards ^(Note 3) (Setagaya-ku, Tokyo)
Disposition price	2,900 million yen
Appraisal value	2,450 million yen
Book value	1,810 million yen ^(Note 7,8)
Estimated gain/loss on disposition	1,065 million yen ^(Note 7,8)

- 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. As the construction is not yet completed as of today, the property name describes the name that OJR will use after the acquisition
3. "6 Central Tokyo Wards" refers to Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa wards, “Remaining Tokyo Wards” refers to the remaining Tokyo wards other than the “6 central Tokyo wards.”
4. As the property is still under construction, OJR has conducted “appraisal for non-completed building, etc.”, in accordance with the real estate appraisal standards defined by the Ministry of Land, Infrastructure and Transport. Please refer to “9. Appraisal Summary” for details.
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.
7. Figures are rounded down to the nearest million yen.
8. 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. Future Outlook

There will be no change in the earnings and distributions forecast for the 42nd fiscal period from September 1, 2022 through February 28, 2023 and the 43rd fiscal period from March 1, 2023 through August 31, 2023 announced in “Financial Results for the 41st Fiscal Period” dated October 19, 2022.

Although we expect to record gain on the sale of real-estate (1,065 million yen) during the 44th fiscal period from September 1, 2023 through February 29, 2024, the forecast of performance results for the 44th fiscal period is currently under review and it will be disclosed at the time of the announcement of financial results for the 42nd fiscal period from September 1, 2022 through February 28, 2023 which is scheduled on April 19, 2023.

3. 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)”. At present, we are conducting asset replacement focused on improving portfolio quality.

Under this policy, despite challenging acquisition environment, OJR decided on this exchange 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 “Cross Residence Nihonbashi Honcho”

- OJR’s highly experienced single type residential property (less than 40m²) located in central Tokyo. (Newly built with 42 rentable units: 67% for 1DK/1LDK units, 33% for 2 LDK units)
- Good access to public transport lines with 7 stations and 9 lines: approximately a 2-minute walk from Kodemmacho Station on the Tokyo Metro Hibiya Line , approximately a 3-minute walk from Shin-Nihombashi Station on the JR Sobu Line (Rapid) including Mitsukoshimae Station on the Tokyo Metro Ginza Line /Hanzomon Line , Iwamotocho Station on the Toei Shinjuku Line, Bakuro-yokoyama Station on the Toei Shinjuku Line, Kanda Station on the JR Yamanote Line /Chuo Line(Rapid) /Keihin-Tohoku Line, and Ningyocho Station on the Toei Asakusa Line /the Tokyo Metro Hibiya Line.
- The vicinity offers high lifestyle convenience with supermarkets, grocery stores, drug stores, restaurants and other facilities. Additionally, the property is very close by to Nihonbashi where large retail facilities and offices are located.

Map



Rendering



2) Purpose of the Disposition of “Cross Residence Mishuku”

- It is difficult to maintain a stable high occupancy rate with limited demand and a risk of prolonged vacancy as the property locates approximately a 14-minute walk from the nearest station and has a large proportion of special room layouts.
- In line with the above, further deterioration of competitiveness is concerned as the building ages.

4. Summary of Property to be Acquired

Property name		Cross Residence Nihonbashi Honcho
Specified asset category		Real Estate
Address (Note 1)		4-15 Nihonbashi honcho, Chuo-ku, Tokyo
Public transit access		Approx. 2-minute walk from “Kodemmacho” station on Tokyo Metro Hibiya line, Approx. 3-minute walk from “Shin-Nihombashi” station on JR Sobu line (Rapid).
Land	Registered Area	282.76 m ²
	Type of ownership	Full ownership
Building	Registered usage	Residential, Retail (Building permit)
	Registered completion date	November 2023 (Scheduled)
	Type of ownership	Full ownership
	Registered Area	2,039.25 m ² (Building permit)

	Registered construction	Reinforced concrete, 15 floors
Earthquake resistance (with or without earthquake insurance)		PML ^(Note 2) : 5% *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	- (desk survey)
	Total amount of 12 years from the date of inspection	2 million yen ^(Note 3)
	Replacement Cost	456 million yen ^(Note 3)
Summary of Rental status (Estimated numbers calculated in estimated NOI described below as the property is still under construction.)		
	Number of tenants	1 *Pass through-type master lease agreement is scheduled to be executed at the time of acquisition.
	Gross rental income excluding parking ^(Note 4)	8 million yen per month ^(Note 3)
	Security deposits including parking	-
	Total rent space	-
	Total rentable space	1,617.82 m ²
Occupancy rate of end tenants during past 5 years		- (due to under construction)
Special notes		None
Estimated net operating income (NOI)		79 million yen per annum ^(Note 3) 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 OAM expects for the current fiscal year. - Occupancy rate: 96.2% (Occupancy of end-tenants)

Note:

- 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.
- There is no car parking space at "Cross Residence Nihonbashi Honcho"

5. Summary of Property to be Disposed

Property name	Cross Residence Mishuku	
Type of ownership	Real estate trust beneficial interest	
Address	2-11-17 Mishuku, Setagaya-ku, Tokyo ^(Note 1)	
Registered usage	Residential	
Appraised value (Date of value)	2,450 million yen (February 28, 2023)	
Summary of rental status (As of January 31, 2023)		
	Number of tenants	1 (Pass through-type master lease agreement)
	Gross rental income excluding parking	10 million yen per month ^(Note 2)

	Security deposits including parking	12 million yen ^(Note 2)				
	Total rent space	2,546.07m ² (Occupancy rate: 95.7%)				
	Total rentable space	2,660.21m ²				
Occupancy rate during past 5 years	August 2018	August 2019	August 2020	August 2021	August 2022	
	91.6%	89.9%	89.2%	90.6%	94.1%	

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.

6. Profile of the Transaction Party

As of March 20, 2023

Company name	Cosmos Initia Co., Ltd.				
Address	5-34-6 Shiba, Minato-ku, Tokyo				
Representative	President and CEO Ryotaro Takachi				
Primary Business	Real estate transaction, leasing and intermediary, etc.				
Capital	5 billion yen				
Date of establishment	June 20, 1969				
Net Assets (As of December 31, 2022)	36 billion yen				
Total Assets (As of December 31, 2022)	166 billion yen				
Major shareholders (As of September 30, 2022)	DAIWA HOUSE INDUSTRY CO., LTD. 63.89% 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.			

7. Information of the Transaction Party

The transaction party does not fall under the category of a related party of OJR nor OAM.

8. 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.

9. Appraisal Summary

Name of asset	Cross Residence Nihonbashi Honcho
Date of value	March 1, 2023
Appraisal value (In thousands of yen)	2,510,000
Appraiser	Chuo Real Estate Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	2,510,000	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	2,590,000	
(1) Gross Operating Revenue [(a)-(g)]	103,367	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	107,414	
(b) Rental income	95,209	Assessed taking factors such as the level of rents and CAM charges at similar properties into consideration
(c) CAM income	9,238	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	0	None
(f) Other income	2,967	Assessed based mainly on estimates
(g) Vacancy loss	4,047	Assessed taking factors such as the actual occupancy of similar properties and future market trend forecasts into consideration
(2) Operating Expenses	19,669	
Maintenance Expense	2,718	Assessed based mainly on estimates
Utility Expense	1,120	Assessed taking factors such as level of expenses at similar properties into consideration
Repair Expense	1,416	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	2,029	Assessed based on expected contract conditions
Tenant Advertisement Cost	3,992	Assessed based on expected contract conditions
Tax and Public Dues	7,684	Assessed based on most recent actual amounts
Casualty Insurance	98	Assessed based mainly on estimates
Other Expenses	612	Assessed based mainly on estimates
(3) Net Operating Income [(1)-(2)]	83,698	
(4) Profit from Managing Security Deposit	90	Assessed based on rate of return of 1.0%
(5) Capital Expenditure	800	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)]	82,988	
(7) Cap Rate	3.2%	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	2,470,000	
Discount Rate	3.0%	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	3.4%	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	2,950,000	
Ratio of Land	81.4%	
Ratio of Building	18.6%	
Additional considerations made in the reconciliation of evaluation	Since potential buyers of the property are primarily investors who attach important 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	

Name of asset	Cross Residence Mishuku
Date of value	February 28, 2023
Appraisal value (In thousands of yen)	2,450,000,000
Appraiser	Chuo Real Estate Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	2,450,000	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	2,480,000	
(1) Gross Operating Revenue [(a)-(g)]	128,735	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	138,273	
(b) Rental income	120,676	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	9,946	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	3,780	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	3,871	Assessed based mainly on actual past data
(g) Vacancy loss	9,538	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	33,035	
Maintenance Expense	4,310	Assessed based on contract conditions, taking factors such as past data and level of expenses of similar properties into consideration
Utility Expense	2,101	Assessed based on actual past data, taking factors such as level of expenses of similar properties into consideration
Repair Expense	7,298	Assessed based mainly on ER
Property Management Fee	2,712	Assessed based on contract conditions
Tenant Advertisement Cost	7,469	Same as above
Tax and Public Dues	7,196	Assessed based on most recent actual amounts
Casualty Insurance	144	Same as above
Other Expenses	1,805	
(3) Net Operating Income [(1)-(2)]	95,700	
(4) Profit from Managing Security Deposit	189	Assessed based on rate of return of 1.0%
(5) Capital Expenditure	6,604	Assessed based on ER
(6) Net Revenue [(3)+(4)-(5)]	89,285	
(7) Cap Rate	3.6%	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	2,440,000	
Discount Rate	3.4%	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	3.8%	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	1,980,000	
Ratio of Land	81.8%	
Ratio of Building	18.2%	

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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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.