

For Immediate Release

REIT Issuer:

ORIX JREIT Inc. (TSE: 8954)

Teruo Ozaki

Executive Director

Asset Management Company:

ORIX Asset Management Corporation

Yoshitaka Kamemoto

President and CEO

Inquiries:

Shinji Yamana

Executive Officer and CFO

TEL: +81 3 5776 3323

**ORIX JREIT Announces Acquisition of “TOKYU REIT Akasaka Hinokicho Building”
and Disposition of “KN Jiyugaoka Plaza”**

TOKYO, September 12, 2019 — ORIX JREIT Inc. (“OJR”) announced that our 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.

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1. Transaction Summary

- 1) Transaction party: TOKYU REIT, Inc.
- 2) Contract date: September 12, 2019
- 3) Transaction date: To be transferred over the following two periods
 - I. October 1, 2019
(The co-ownership interest of 49% in the properties to be acquired and disposed of in the exchange)
 - II. March 4, 2020^(Note 1)
(The co-ownership interest of 51% in the properties to be acquired and disposed of in the exchange)

4) The Acquisition Summary:

Property name	TOKYU REIT Akasaka Hinokicho Building
Type	Office
Area	6 Central Tokyo Wards ^(Note 2) (Minato-ku, Tokyo)
Acquisition price	4,800 million yen *To be acquired over the following two periods I. 2,352 million yen II. 2,448 million yen
Appraisal value	5,100 million yen
NOI yield ^(Note 3)	4.3%
Yield after depreciation ^(Note 4)	4.1%

5) The Disposition Summary:

Property name	KN Jiyugaoka Plaza
Type	Office
Area	Remaining Tokyo Wards ^(Note 5) (Meguro-ku, Tokyo)
Disposition price ^(Note 6)	3,160 million yen *To be disposed over the following two periods I. 1,548 million yen II. 1,611 million yen
Book value ^(Note 6)	I. 1,483 million yen II. 1,541 million yen
Estimated gain/loss on disposition (Note 6, 7)	I. 53 million yen II. 58 million yen

6) Intermediary: None

Note:

- The trust beneficial interest sale and purchase agreement for the co-ownership interests of 51% in each of property to be acquired and property to be disposed subject to the exchange (the “51% Purchase and Sale Agreement”) falls under the category of Forward Commitment, etc. as provided in the Comprehensive Guideline for Supervision of Financial Instruments Business Operators, etc. set by the Financial Services Agency as it is a postdated purchase and sale agreement where the settlement and delivery of the properties are to take place on month or more after the conclusion of agreement.

<Financial Impact on OJR in the Event that it Fails to Fulfill the Forward Commitment, etc.>

The cancellation provisions as provided in the 51% Purchase and Sale Agreement are as follows:

- The Seller or the Purchaser may cancel or terminate the 51% Purchase and Sale Agreement in case of any of the (a) through (c) below.
 - When the counterparty breaches the provisions of 51% Purchase and Sale Agreement and the purpose of such agreement becomes unable to achieve due to such breach. In this case, the counterparty shall pay 10% of the acquisition price with regard to the 51% Purchase and Sale Agreement as penalty.
 - When a party has paid 10% of the acquisition price with regard to the 51% Purchase and Sale Agreement to the other party. Provided, however, that such termination can be made after the closing of the transactions in accordance with the trust beneficial interest sale and purchase agreement for 49% co-ownership interests in each of Property to be Acquired and Property to be Disposed subject to the Asset Replacement (the “49% Purchase and Sale Agreement”).
 - When the 51% Purchase and Sale Agreement is cancelled or terminated mainly due to a cause attributable to the counterparty, and there is no circumstances where the completion of the transactions pursuant to the 51% Purchase and Sale Agreement were not prevented due to the cause of the terminating party. In this case, the terminating party shall not owe any obligation to pay any penalty or such other monetary obligation.
 - The 51% Purchase and Sale Agreement shall be deemed automatically terminated when the 49% Purchase and Sale Agreement is terminated. In this case either party shall not make any claim for damages or otherwise with respect to the 51% Purchase and Sale Agreement.
- “6 Central Tokyo Wards” refers to Chiyoda, Chuo, Minato, Shinjuku, Shibuya and Shinagawa wards.
 - The “NOI Yield” 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 by the acquisition price. The figures are rounded to the one decimal place.
 - 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.
 - “Remaining Tokyo Wards” refers to the remaining Tokyo wards other than the “6 Central Tokyo Wards.”
 - Figures are rounded down to the nearest million yen.
 - Book value is an estimate as of each transaction date. Estimated gain/loss on transfer is pro forma amount based on the book value and assumed transfer expenses as of the same date. The amounts are 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, OJR has decided on the exchange on the assessment that, given the competitive property acquisition environment, exchanging assets between listed REITs—the first such initiative for OJR—would allow OJR and the transaction party in the exchange to acquire properties that would better utilize their own strengths. OJR believes that the exchange would contribute to our growth potential and raise NAV ^(Note 4).

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.
4. The term is the abbreviation for “Net Asset Value” and is calculated by the following formula:

$$\text{NAV} = \text{Unitholders' capital} + \text{Unrealized gain/loss}$$

1) Purpose of the Acquisition of “TOKYU REIT Akasaka Hinokicho Building”

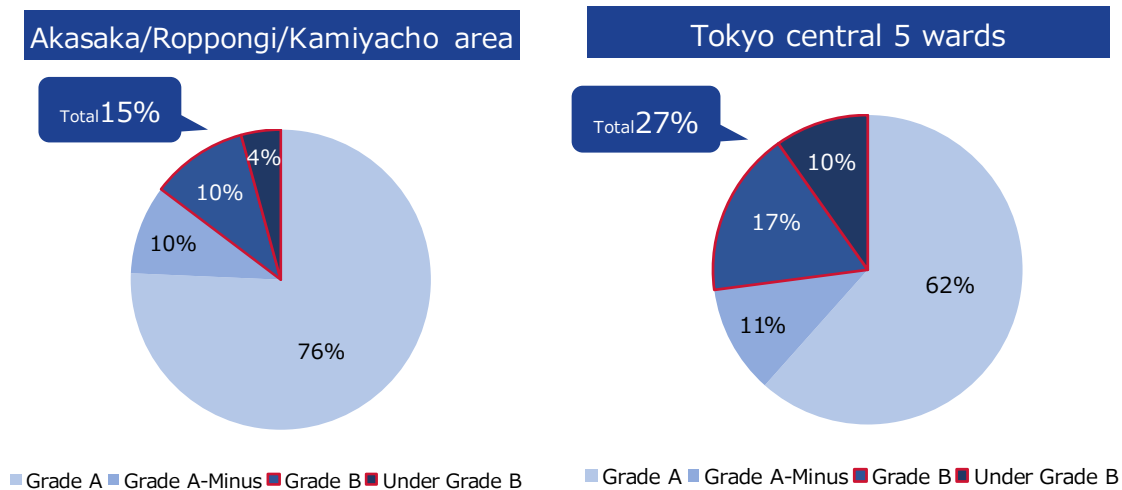
- The Akasaka/Roppongi/Kamiyacho area in which the property is located is an area with a limited supply of medium-sized offices (refer to Chart 1) within Tokyo central five wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya wards) and has scarcity value.
- The property is situated in a good location with an approx. four-minute walk from the closest station, Akasaka Station on the Tokyo Metro Chiyoda Line. In addition, we believe there is room for growth in current rent levels (refer to Chart 2), and OJR’s abundant internal growth achievements in the Akasaka area can be utilized here.
- Although this building is thirty-five years old, repairs and capital expenditures have been made, including the replacement of the air conditioning system and elevator, which has led to maintain the property’s competitiveness.
- Given the property’s scarcity value for the area and its age, a wide range of options can be expected in the future, such as rebuilding or redevelopment of the property.

Photo and Map



Chart 1: New supply space ratio by grade during the past ten years (2009-2018)

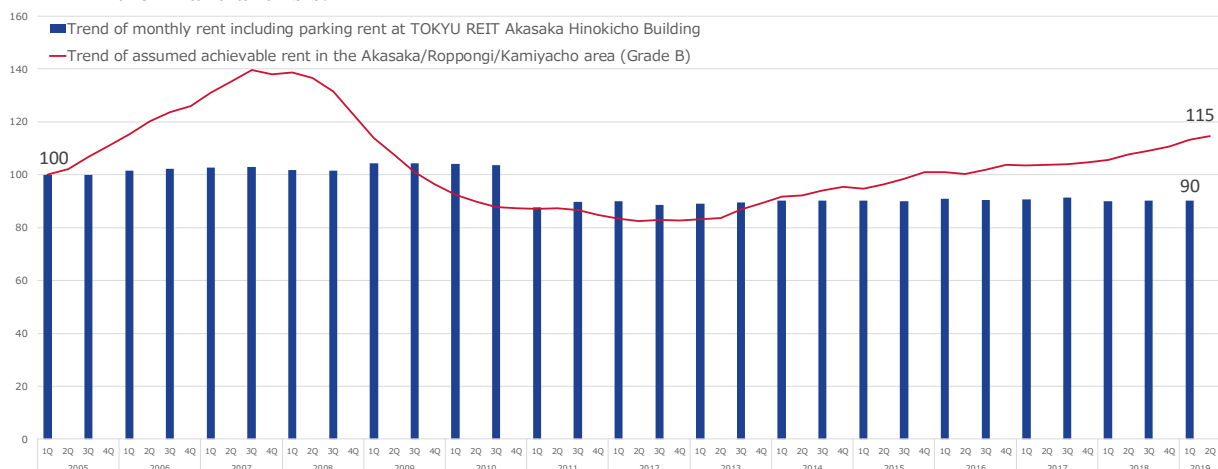
- The ratio of offices ranked Grade B or lower among offices in the Akasaka/Roppongi/Kamiyacho area, where the property is located, is about half of that in Tokyo central 5 wards (Chiyoda, Chuo, Minato, Shinjuku, and Shibuya wards).



Grade A : Offices with 10,000 tsubo or more Gross Floor Area (GFA)
 Grade A-Minus : Offices with 7,000 tsubo or more GFA
 Grade B : Offices with 2,000 tsubo or more GFA
 Under Grade B : Offices with less than 2,000 tsubo GFA←TOKYU REIT Akasaka Hinokicho Building

Chart 2: Comparison of rent trend of the property and office rent market in the Akasaka/Roppongi/Kamiyacho area

- The rental income on this property has been relatively flat compared to the market's recovery after the financial crisis.



Prepared by OAM based on a survey data from CBRE Inc. and disclosure material of the transaction party. In the Chart 2, “Trend of monthly rent including parking rent at TOKYU REIT Akasaka Hinokicho Building” is indexed on a half year basis by setting the figure for January 31, 2005 as 100 and “Trend of assumed achievable rent in the Akasaka/Roppongi/Kamiyacho area (Grade B)” is indexed on a quarterly basis by setting the figure for 2005/1Q as 100.

2) Purpose of the Disposition of KN Jiyugaoka Plaza

Since its acquisition in May 2007, this property has contributed to stable operation, but future growth is thought to be limited, and OJR believes the exchange will enable us to acquire a property in which OJR's strengths can be further leveraged for future growth.

After discussions with the transaction party, it was decided that on October 1, 2019, the 49% co-ownership ratio and on March 4, 2020, the 51% co-ownership ratio would be acquired and disposed of, respectively, for the properties to be exchanged.

As for gain on the disposition, OJR is planning to set it aside as internal reserve to stabilize future DPU.

3. Summary of Property to be acquired

Property name		TOKYU REIT Akasaka Hinokicho Building				
Specified asset category		Real estate trust beneficial interest				
Scheduled trustee		Mitsubishi UFJ Trust and Banking Corporation ^(Note 1)				
Address		6-14-15 Akasaka, Minato-ku, Tokyo ^(Note 2)				
Public transit access		Approx. 4-minute walk from “Akasaka” station of Tokyo Metro Chiyoda Line				
Land	Registered Area	866.61m ²				
	Type of ownership	Full ownership				
Building	Registered usage	Retail, office and parking				
	Registered completion date	August 1984				
	Type of ownership	Full ownership				
	Registered Area	4,058.92 m ²				
	Registered construction	Reinforced concrete flat roof, 7 floors				
	Earthquake resistance	PML ^(Note 3) : 9% *Based on the report by Sompo Risk Management Inc.				
Collateral		None				
Summary of the engineering report						
	Reporting company	Tokio Marine & Nichido Risk Consulting Co., Ltd.				
	Date of inspection	December 7, 2018				
	Maintenance cost	220 million yen ^(Note 4) (Total amount of 12 years from the date of inspection)				
	Replacement cost ¹⁾	1,243 million yen ^(Note 4)				
Summary of rental status (As of July 31, 2019)						
	Number of tenants	3				
	Gross rental income	17 million yen per month excluding parking rent ^(Note 4)				
	Security deposits	182 million yen ^(Note 4)				
	Total rented space	3,202.57 m ²				
	Total rentable space	3,202.57 m ²				
	Occupancy rate	100%				
Occupancy rate during past 5 years		July 2015	July 2016	July 2017	July 2018	July 2019
		100%	100%	100%	100%	100%
Special features of the property		-Pipes and antenna cross the borders of the land into the Property from northeast adjacent land. -Earth retaining device crosses the borders into the northeast adjacent land.				

Assumed net operating income (NOI)	JPY195 million per annum ^(Note 4) Assumed net operating income (NOI) represents the assumed revenue/expenditure balance under stabilized occupancy, based on the terms of the lease contract comprehensively during the fiscal year of the acquisition, but excluding extraordinary factors that may occur during the first year of acquisition. The preconditions are as below; these figures are not what OJR expects for the current fiscal year. 1) Occupancy rate: 95% 2) Taxes: Taxes are calculated on the standard tax amount for fiscal year 2019.
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Note:

- OJR is planning to execute “Amendment to Property Management and Disposition Trust Agreement” with Mitsubishi UFJ Trust and Banking Corporation and the transaction party (TOKYU REIT, Inc.) on October 1, 2019.
- 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) 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 riskcurve with credibility level of 90%, and are rounded to the nearest whole number.
- Figures are rounded down to the nearest million yen

4. Summary of Property to be Disposed

Property name	KN Jiyugaoka Plaza				
Specified asset category	Real estate trust beneficial interest (Scheduled) ^(Note 1)				
Type of ownership	Full ownership				
Address	2-13-6 Jiyugaoka, Meguro-ku, Tokyo ^(Note 2)				
Registered usage	Office and retail				
Appraised value (Date of value)	3,040 million yen (August 1, 2019)				
Summary of rental status (As of July 31, 2019)					
	Number of tenants	5			
	Gross rental income	11 million yen per month excluding parking rent ^(Note 3)			
	Security deposits	141 million yen ^(Note 3)			
	Total rent space	1,231.80 m ²			
	Total rentable space	1,231.80 m ²			
	Occupancy rate	100%			
Occupancy rate during past 5 years	February 2015	February 2016	February 2017	February 2018	February 2019
	100%	76.3%	100%	100%	100%
Special notes	None				

Note:

- As of today, no trust has been established for the property, OJR plans to establish trusts for it on October 1, 2019.
- 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.
- Figures are rounded down to the nearest million yen.

5. Profile of the Transaction Party

Company name	TOKYU REIT, Inc.
Address	1-12-1 Dogenzaka, Shibuya-ku, Tokyo
Representative	Executive Officer Kazuyoshi Kashiwazaki
Primary Business	Asset management to invest mainly in real estate
Capital	110,479 million yen as of January 31, 2019
Date of establishment	June 20, 2003
Net Assets	113,869 million yen as of January 31, 2019
Total Assets	219,958 million yen as of January 31, 2019
Major shareholders	Japan Trustee Services Bank, Ltd. (Trust) 24.37% and others as of January 31, 2019
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: Aforementioned transfer price (Acquisition price and disposition price) shall be paid in full on the respective transfer dates (refer to 3) Transaction date of 1. Transaction Summary above).

Funding method: Proceeds from the disposition, proceeds from the issuance of new investment units through third-party allotment paid on April 11, 2018^(Note) and cash on hand

Note: For the details, please refer to the press release “[ORIX JREIT Announces the Determination of Number of New Investment Units to be Issued through Third Party Allotment](#)” as of April 6, 2018.

8. Future Outlook

There will be no change in the earnings and distributions forecast for the 36th fiscal period from September 1, 2019 through February 29, 2020 announced in “Financial Results for the 34th Fiscal Period” dated April 18, 2019.

9. Appraisal Summary

Name of asset	TOKYU REIT Akasaka Hinokicho Building
Date of Value	August 31, 2019
Appraisal Value (In thousands of yen)	5,100,000
Appraiser	The Tanizawa Sōgō Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Method	5,100,000	Calculated with the DCF method as a standard and by conducting verification based on the direct capitalization method.
Valuation by the Direct Capitalization Method	5,440,000	
(1) Gross Operating Revenue [(a)-(b)]	287,477	
(a) Effective gross revenue	311,266	Assessed rent revenue, common service fee revenue, utilities revenue, parking lot revenue to be stable level in consideration of the competitiveness of the subject real estate, past results, market trends, recent rent examples.
Rental income	250,061	Assessed market rent including common service fee revenue in consideration of rent examples.
Other income	61,205	Utilities revenue, parking lot revenue, antenna use income, storage use income, sign income
(b) Vacancy loss	23,789	Assessed based on level of stable vacancy rate to be stable in consideration of the competitiveness of the subject real estate, past results, market trends.
(2) Operating Expenses	83,441	
Maintenance Expense	16,405	Assessed in reference to past results, building management related documents and levels for similar real estate, etc.
Utility Expense	36,243	Assessed in reference to past results.
Repair Expense	6,820	Assessed in reference to the engineering report, levels for similar real estate, etc.
Property Management Fee	3,347	Assessed in reference to estimate for property management fee.
Tenant Advertisement Cost	1,902	Assessed in reference to estimate
Tax and Public Dues	17,017	Assessed based on a list of amounts of payment of property taxes and city planning taxes for fiscal 2019.
Casualty Insurance	267	Assessed in reference to estimate for insurance.
Other Expenses	1,437	Assessed in reference to past results.
(3) Net Operating Income [(1)-(2)]	204,035	
(4) Profit from Managing Security Deposit	1,943	Investment yield is assessed as 1%.
(5) Capital Expenditure	15,500	Assessed in reference to the engineering report, levels for similar real estate, etc.
(6) Net Revenue [(3)+(4)-(5)]	190,479	
(7) Cap Rate	3.5%	Assessed based on the lease format, control of rights, etc. in consideration of the use, location, and building conditions of the subject real estate, real estate market trends, transaction examples, etc.
DCF Method	4,960,000	
Discount Rate	3.6%	Assessed based on the lease format, control of rights, etc. in consideration of the use, location, and building conditions of the subject real estate, levels and trends for funding procurement costs, etc.
Terminal Cap Rate	3.7%	Assessed based on cap rate at the time of valuation in consideration of factors such as future uncertainty.
Cost Approach	5,040,000	
Ratio of Land	95.1%	
Ratio of building	4.9%	

Any special considerations made in the reconciliation of estimated value	Market participants make decisions with a focus on revenue stability, growth potential, liquidity at the time of resale, etc., and income approach value incorporating this process are highly standardized. Accordingly, the appraisal value has been determined based on the income approach method.
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Name of asset	KN Jiyugaoka Plaza
Date of value	August 1, 2019
Appraisal value (In thousands of yen)	3,040,000
Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	3,040,000	
Valuation by the Direct Capitalization Method	3,100,000	
(1) Gross Operating Revenue [(a)-(b)]	150,005	
(a) Effective gross revenue	154,995	
Rental income	143,322	Recorded standard rent revenue and common service fee revenue assessed based on current rent.
Other income	11,673	Recorded utility income and advertisement sign income assessed referring to past results.
(b) Vacancy loss	4,990	Assessed in consideration of standard vacancy rate in the area and the competitiveness of the subject real estate.
(2) Operating Expenses	23,697	
Maintenance Expense	4,698	Assessed and recorded in reference to current contract and past results.
Utility Expense	6,712	Assessed and recorded in reference to the past results.
Repair Expense	757	Recorded annual average repair expense in the engineering report after verifying the standard repair expense for similar real estate.
Property Management Fee	3,670	Assessed in reference to current contract.
Tenant Advertisement Cost	802	Assessed and recorded in reference to the tenant advertisement cost for the similar real estate.
Tax and Public Dues	6,896	Assessed and recorded based on the actual tax amount for FY2019.
Casualty Insurance	72	Recorded based on current contract.
Other Expenses	89	Recorded as contingency fund in reference to the past results.
(3) Net Operating Income [(1)-(2)]	126,308	
(4) Profit from Managing Security Deposit	1,498	Recorded based on monetary asset investment yield and finance related cost.
(5) Capital Expenditure	583	Recorded annual renewal expense in the engineering report after verifying the standard repair expense for similar real estate.
(6) Net Revenue [(3)+(4)-(5)]	127,223	
(7) Cap Rate	4.1%	Assessed in reference to interviews concerning investment, with a method of comparison with valuation examples for similar real estate as the standard
DCF Method	3,020,000	
Discount Rate	3.9%	Assessed in reference to interviews concerning investment, using a method of comparison with transaction examples for similar real estate and a method of inconsideration of the yield for financial assets and the real estate individuality
Terminal Cap Rate	4.3%	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 transaction yield for similar transaction examples.
Cost Approach	1,570,000	
Ratio of Land	88.7%	
Ratio of Building	11.3%	
Additional considerations made in the reconciliation of evaluation	None	