

For Immediate Release

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ORIX JREIT Announces Property Acquisition
“Sendai Minamimachidori Building”

TOKYO, July 31, 2019 — ORIX JREIT Inc. (“OJR”) announced that our asset management company, ORIX Asset Management Corporation (“OAM”), passed a resolution on the property acquisition as described below.

1. Acquisition Summary

Property Name	Sendai Minamimachidori Building
Type	Retail Facility (Urban-type retail facility)
Area ^(Note 2)	Other areas (Sendai-shi, Miyagi)
Price to be acquired	3,900 million yen
Appraisal value	4,120 million yen
Seller	Sponsor ^(Note 3) (Godo Kaisha OSD Properties One)
Intermediary	None
Scheduled contract date	July 31, 2019
Scheduled acquisition date	July 31, 2019
NOI yield ^(Note 4)	4.7%
Yield after depreciation ^(Note 5)	3.4%

Note :

1. “Property” refers to the property to be acquired in the above.
2. “Other areas” refers to areas other than the Greater Tokyo Area (Tokyo, Kanagawa, Saitama and Chiba prefectures).
3. “Sponsor” indicates “ORIX Group”. “ORIX Group” refers to ORIX Corporation and its group companies.
4. 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 price to be acquired. 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 estimated by OAM) by the price to be acquired. The figures are rounded to the one decimal place.

2. Purpose of the Acquisition

Based on portfolio and financial stability, 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 to acquire the Property evaluating the following points and with the belief in achieving mid- to long-term stable management of the Property.

- The Property is a relatively new urban-type retail facility developed by the ORIX Group located in an area where both OJR and the ORIX Group are highly familiar with and OJR’s ability to utilize its knowledge and insight through the ownership of a neighboring retail facility “aune Sendai”.
- The Property is situated in an area in front of Sendai Station, which transports the largest number of passengers in the Tohoku region, in Sendai city which is the commercial center of the Tohoku region. The Property offers easy access to JR Sendai station with an approx. five-minute walk, and is also across the street from the entrance to Sendai station on the Subway Tozai Line.
- This area can be expected to become even more vibrant going forward with the effect of Subway Tozai Line opened in 2015.
- A wide range of tenants can be attracted by its good location offering convenience from nearby train stations and where many office buildings, business hotels and large-scale commercial facilities gather together. The current tenants include rental conference rooms, a fitness gym, an upmarket restaurant offering local food, a café, and several pubs, among others.

Note:

1. The “ORIX Synergy” refers to the cooperative relationship between Sponsor 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 ORIX Asset Management Corporation which is the asset management company of OJR, 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.

Photo and Map



3. Summary of the Property

Specified asset category		Real Estate
Address		3-6-12 Chuo, Aoba-ku, Sendai-shi, Miyagi
Public transit access		Approx. 5-minute walk from "Sendai" station on the JR Line, Approx. 1-minute walk from "Sendai" station on the Subway Tozai line.
Land	Registered Area	621.36 m ²
	Type of ownership	Full ownership
Building	Registered usage	Retail
	Registered completion date	November 2017
	Type of ownership	Full ownership
	Registered Area	4,096.42 m ²
	Registered construction	Steel-framed, flat roof, 8 floors with 1 underground floor
Earthquake resistance (with or without earthquake insurance)		PML ^(Note 1) : 2% *Based on the report by Sompo Risk Management Inc. report.
Collateral		None
Summary of the Engineering Report		
	Reporting Company	Tokio Marine & Nichido Risk Consulting Co., Ltd.
	Date of inspection	March 14, 2019
	Maintenance Cost Total amount of 12 years from the date of inspection	27 million yen ^(Note 2)
	Replacement Cost	1,519 million yen ^(Note 2)
Summary of Rental status (as of June 30, 2019)		
	No. of tenants	12
	Gross rental income	18 million yen per month
	Security deposits	154 million yen ^(Note 2)
	Total rent space	3,221.22 m ²
	Total rentable space	3,356.97 m ²
	Latest Occupancy rate	96.0%
Special notes		There are several matters found out not in compliance with the Building Standards Act, however, OJR has agreed with the seller to cure any and all such matters at the seller's responsibility and expense within three months after the acquisition of the property by OJR.
Reference information	Assumed net operating income (NOI)	¥173 million per annum ^(Note 2) The 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.

Note:

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

4. Profile of Seller as of June 27, 2019

Company name	Godo Kaisha OSD Properties One	
Address	1-4-1 Nihombashi, Chuo-ku, Tokyo	
Representative	Satoshi Tozaki	
Primary business	Sales and Purchase, exchange, lease, management and holding of real estate and others	
Capital	2 million yen	
Date of establishment	March 2007	
Net Assets	- *Not disclosed as the consent of the Company could not be obtained.	
Total Assets	- *Not disclosed as the consent of the Company could not be obtained.	
Major shareholders	ORIX Corporation and its subsidiary (100%)	
Relationships with OJR or our asset management company		
Capital relationship	There is no capital relationship required for reporting between OJR and the Company. However, ORIX Corporation, the parent company of OAM and its subsidiary invest in the Company, therefore the Company falls under the “related party” of OAM as stipulated in the ACT on Investment Trusts and Investment corporations (hereinafter “Investment Trusts Act”).	
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 a related party of OJR. As mentioned above, the Company falls under the “related party” of OAM as stipulated in the Investment Trusts Act.	

5. Information of Seller

	Seller	Owner before Seller
Company name	Godo Kaisha OSD Properties One	Not a party having special relationship of interest
Special relationships involved	Please refer to “4. Profile of Seller” in the above	-
Background to and reason for acquisition	Acquired for the purpose of development (Completed in November 2017)	-
Acquisition price	Omitted, as Seller held property for over a year.	-
Acquisition date	March 2007 (Land)	-

6. Payment terms

Settlement terms: 100% on delivery

Funding method: New borrowing

*OJR will acquire the Property once with cash and replace with a new financing facility on August 5, 2019. For details of the financing, please refer to the press release “ORIX JREIT Announces New Debt Financing” announced today.

7. Future Outlook

There will be no change in the earnings and distributions forecast for the 35th fiscal period from March 1, 2019 through August 31, 2019 and 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.

8. Appraisal Summary

Name of asset	Sendai Minamimachidori Building
Date of value	July 16, 2019
Appraisal value (In thousands of yen)	4,120,000
Appraiser	DAIWA REAL ESTATE APPRAISAL CO.,LTD.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	4,120,000	
Valuation by the Direct Capitalization Method	4,230,000	
(1) Gross Operating Revenue [(a)-(b)]	265,233	
(a) Effective gross revenue	279,073	Recorded standard rent revenue assessed based on current rent as well as utility income and other income assessed referring to past results
Rental income	245,336	
Other income	33,737	
(b) Vacancy loss	13,840	Assessed in consideration of standard vacancy rate in the area and the competitiveness of the subject real estate
(2) Operating Expenses	80,874	
Maintenance Expense	10,594	Assessed in reference to estimate
Utility Expense	36,296	Recorded in reference to the past results
Repair Expense	2,114	Recorded annual average repair expense in the engineering report after verifying the standard repair expense for similar real estate
Property Management Fee	4,066	Assessed in reference to estimate
Tenant Advertisement Cost	1,942	Assessed in reference to the tenant advertisement cost for the similar real estate
Tax and Public Dues	18,957	Assessed based on the actual tax amount for FY2019
Casualty Insurance	323	Assessed in reference to the materials received from the client after verifying the casualty insurance for similar real estate
Other Expenses	6,580	Recorded as contingency fund in reference to the past results. Recorded rent for parking at a distance based on the materials received from the client.
(3) Net Operating Income [(1)-(2)]	184,359	
(4) Profit from Managing Security Deposit	1,554	Recorded based on monetary asset investment yield and finance related cost
(5) Capital Expenditure	3,962	Recorded in reference to renewal cost and major repair cost for the similar real estate
(6) Net Revenue [(3)+(4)-(5)]	181,951	
(7) Cap Rate	4.3%	Assessed in reference to interviews concerning investment, with a method of comparison with valuation examples for similar real estate as the standard
DCF Method	4,070,000	
Discount Rate	4.1%	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	4.5%	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
Cost Approach	5,050,000	
Ratio of Land	68.0%	
Ratio of Building	32.0%	
Additional considerations made in the reconciliation of evaluation	N/A	