

For Immediate Release

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ORIX JREIT Announces Acquisition of “Cross Residence Osaki and Cross Residence Nihonbashi Hamacho” and Disposition of “Round-Cross Tsukiji”

TOKYO, September 26, 2022 — 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: September 26, 2022
- 3) Transaction date: April 3, 2023^(Note 1)
- 4) The Acquisition Summary:

Property name	Cross Residence Osaki (Note 2)	Cross Residence Nihonbashi Hamacho (Note 2)
Specified asset category	Real Estate	Real Estate
Type	Residential Property	Residential Property
Area	6 Central Tokyo Wards ^(Note 3) (Shinagawa-ku, Tokyo)	6 Central Tokyo Wards ^(Note 3) (Chuo-ku, Tokyo)
Acquisition price	2,244 million yen	1,396 million yen
Appraisal value	2,670 million yen	1,620 million yen
NOI yield ^(Note 4)	4.0%	4.0%
Yield after depreciation ^(Note 5)	3.3%	3.2%

- 5) The Disposition Summary:

Property name	Round-Cross Tsukiji
Specified asset category	Real Estate
Type	Office
Area	6 Central Tokyo Wards ^(Note 3) (Chuo-ku, Tokyo)
Disposition price	4,050million yen
Appraisal value	3,930 million yen
Book value	2,854 million yen ^(Note 6,7)
Estimated gain/loss on disposition	1,120 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 “Cross Residence Osaki” and “Cross Residence Nihonbashi Hamacho” 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. Future Outlook

There will be no change in the earnings and distributions forecast for the 41st fiscal period from March 1, 2022 through August 31, 2022 and the 42nd fiscal period from September 1, 2022 through February 28, 2023 announced in “Financial Results for the 40th Fiscal Period” dated April 20, 2022.

Although we expect to record gain on the sale (1,120 million yen) of real-estate during the 43rd fiscal period from March 1, 2023 through August 31, 2023, OJR is planning to allocate up to about half of the gain on the Disposition to internal reserves 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.

The forecast of performance results for the 43rd fiscal period from March 1, 2023 through August 31, 2023 is currently under review and it will be disclosed at the time of the announcement of financial results for the 41st fiscal period from March 1, 2022 through August 31, 2022 which is scheduled on October 19, 2022.

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 Osaki”

- OJR’s highly experienced single type residential property (less than 40m²) located in central Tokyo. (Recently built with 63 rentable units: 86% for 1K/1R/1DK units, 14% for 2 LDK units)
- Located approximately within a 7-minute walk from Osaki Station with 4 public transport lines including the JR Yamanote/ Shonan-Shinjuku/ Saikyo Line and the Rinkai Line.
- The vicinity of Gotenyama is considered an exclusive residential area and this property offers high lifestyle convenience with supermarkets and restaurants in large buildings around Osaki station.
- Occupancy rate is high at 98.8% as of the end of July 2022.

Map



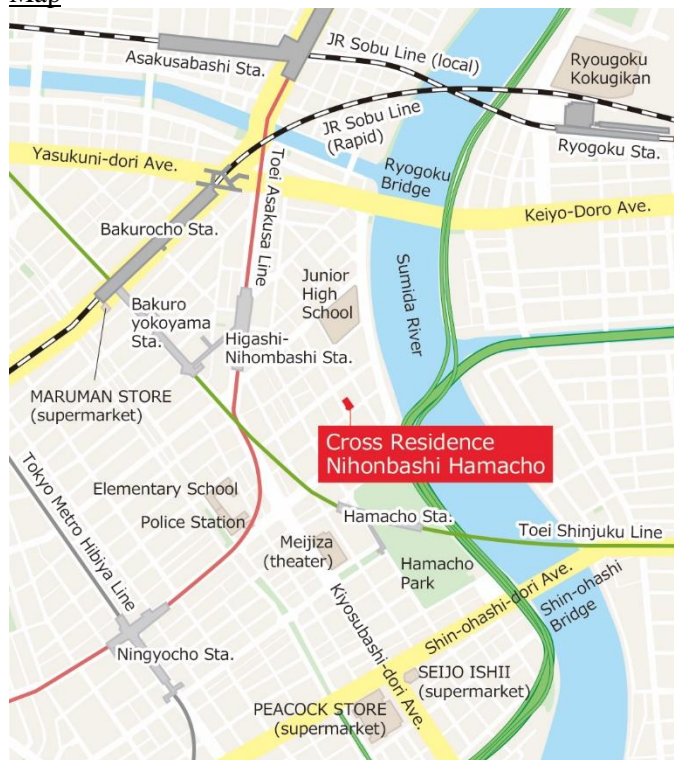
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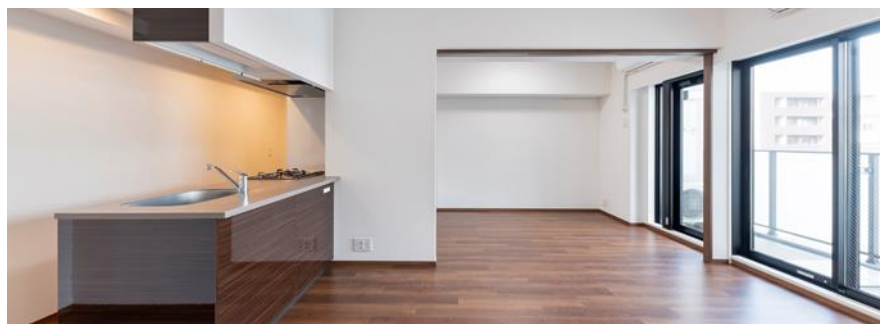
2) Purpose of the Acquisition of “Cross Residence Nihonbashi Hamacho”

- OJR’s highly experienced single type residential property (less than 40m²) located in central Tokyo. (Newly built with 36 rentable units: 75% for 1K/1DK units, 25% for 2 LDK units)
- Good access to public transport lines: approximately a 4-minute walk from Hamacho Station on the Toei Shinjuku Line, approximately a 6-minute walk from Higashi Nihonbashi Station on the Toei Asakusa Line, approximately a 9-minute walk from Bakurocho Station on the JR Sobu Line (Rapid), and approximately a 9-minute walk from Ningyocho Station on the Tokyo Metro Hibiya Line.
- The vicinity offers high lifestyle convenience with supermarkets, grocery stores, drug stores, restaurants and other facilities. Additionally, property is close by to Nihonbashi where large retail facilities and offices are located.
- Occupancy rate at 69.9% as of the end of July 2022 (Construction completed in January 2022).

Map



Photo



3) Purpose of the Disposition of “Round-Cross Tsukiji”

- OJR has owned this property since IPO in 2002 and the building age is now in its 31st year. Thus reasonable CAPEX and repair costs will be needed in the future.
- A deterioration of competitiveness is expected as the building ages.

4. Summary of Property to be Acquired

1) Cross Residence Osaki

Property name		Cross Residence Osaki				
Specified asset category		Real Estate				
Address ^(Note 1)		5-9-25 Kitashinagawa, Shinagawa-ku, Tokyo				
Public transit access		Approx. 7-minute walk from “Osaki” station on JR Yamanote line, Shonan-Shinjuku line, Saikyo line and TWR Rinkai line				
Land	Registered Area	692.60 m ²				
	Type of ownership	Full ownership				
Building	Registered usage	Residential				
	Registered completion date	February 2020				
	Type of ownership	Full ownership				
	Registered Area	2,328.99 m ²				
	Registered construction	Reinforced concrete with flat roof, 13 floors				
Earthquake resistance (with or without earthquake insurance)		PML ^(Note 2) : 4% *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	August 4, 2022			
		Total amount of 12 years from the date of inspection	3 million yen ^(Note 3)			
		Replacement Cost	533 million yen ^(Note 3)			
Summary of Rental status as of July 31, 2022						
		Number of tenants	1 (Pass through-type master lease agreement)			
		Gross rental income excluding parking	9 million yen per month ^(Note 3)			
		Security deposits including parking	9 million yen ^(Note 3)			
		Total rent space	1,848.29 m ²			
		Total rentable space	1,870.65 m ²			
Occupancy rate of end tenants during past 5 years		July 2018	July 2019	July 2020	July 2021	July 2022
		-(Not Completed)	-(Not Completed)	18.4%	69.6%	98.8%
Special notes		None				
Estimated net operating income (NOI)		89 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 OJR expects for the current fiscal year. - Occupancy rate: 96.0%				

2) Cross Residence Nihonbashi Hamacho

Property name		Cross Residence Nihonbashi Hamacho				
Specified asset category		Real Estate				
Address ^(Note 1)		1-10-11 Nihombashihamacho, Chuo-ku, Tokyo				
Public transit access		Approx. 4-minute walk from “Hamacho” station on Toei Shinjuku line, Approx. 6-minute walk from “Higashi-Nihombashi” station on Toei Asakusa line, Approx. 9-minute walk from “Bakuroucho” station on JR Sobu line (Rapid), Approx. 9-minute walk from “Ningyocho” station on Tokyo Metro Hibiya line.				
Land	Registered Area	239.98 m ²				
	Type of ownership	Full ownership				
Building	Registered usage	Residential				
	Registered completion date	January 2022				
	Type of ownership	Full ownership				
	Registered Area	1,411.58 m ²				
	Registered construction	Reinforced concrete with flat roof, 10 floors				
Earthquake resistance (with or without earthquake insurance)		PML ^(Note 2) : 7% *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	August 4, 2022				
	Total amount of 12 years from the date of inspection	1 million yen ^(Note 3)				
	Replacement Cost	327 million yen ^(Note 3)				
Summary of Rental status as of July 31, 2022						
	Number of tenants	1 (Pass through-type master lease agreement)				
	Gross rental income excluding parking ^(Note 4)	4 million yen per month ^(Note 3)				
	Security deposits including parking ^(Note 4)	3 million yen ^(Note 3)				
	Total rent space	814.21 m ²				
	Total rentable space	1,164.78 m ²				
Occupancy rate of end tenants during past 5 years		July 2018	July 2019	July 2020	July 2021	July 2022
		-(Not Completed)	-(Not Completed)	-(Not Completed)	-(Not Completed)	69.9%
Special notes		None				
Estimated net operating income (NOI)		53 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 OJR expects for the current fiscal year. - Occupancy rate: 96.2%				

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.

3. Figures are rounded down to the nearest million yen.
4. There is no car parking space at Cross Residence Nihonbashi Hamacho.

5. Summary of Property to be Disposed

Property name	Round-Cross Tsukiji				
Type of ownership	Land: Simple ownership (698.32 m ² of which is co-owned (co-ownership interests : 65,984 of 69,832)) Building: Sectional ownership				
Address	3-9-9 and other, Tsukiji, Chuo-ku, Tokyo ^(Note 1)				
Registered usage	Office including retail, residential, parking and storage				
Appraised value (Date of value)	3,930 million yen (August 31, 2022)				
Summary of rental status (As of July 31, 2022)					
	Number of tenants	10			
	Gross rental income excluding parking	18 million yen per month ^(Note 2)			
	Security deposits including parking	243 million yen ^(Note 2)			
	Total rent space	3,418.19 m ² (Occupancy rate: 85.6%)			
	Total rentable space	3,994.95 m ²			
Occupancy rate during past 5 years	February 2018	February 2019	February 2020	February 2021	February 2022
	100%	100%	100%	100%	99.0%

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 September 1, 2022

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, 2022)	252 billion yen				
Total Assets (As of March 31, 2022)	1,084 billion yen				
Major shareholders (As of March 31, 2022)	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.			

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 Osaki	
Date of value	September 1, 2022	
Appraisal value (In thousands of yen)	2,670,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
(In thousands of yen)		
Item	Content	Grounds
Income Approach Value	2,670,000	We estimated the value indicated by the Income Approach mainly based on the value indicated by the DCF Method, also verified it by the value indicated by the DC Method.
Valuation by the Direct Capitalization Method	2,710,000	
(1) Gross Operating Revenue [(a)-(d)]	113,147	
(a) Effective gross revenue [(b) + (c)]	118,499	Assessed Rental income, CAM income, Utility Fee income, Parking Fee income, which are considered to be stable levels, based on the the competitiveness of subject property, the trends of track record, market trends, the lease evidences.
(b) Rental income	114,019	Assessed the market rent including CAM income taking into account the lease evidences.
(c) Other income	4,480	Parking Fee income and Renewal fee income.
(d) Vacancy loss	5,352	Assessed based on the vacancy rate deemed to be a stable level, taking into account the competitiveness of subject property, the trends of track record, market trends.
(2) Operating Expenses	22,918	
Maintenance Expense	4,008	Assessed with reference to proposals on ML/PM services.
Utility Expense	1,234	Assessed based on the track record.
Repair Expense	974	Assessed with reference to the Engineering Report and the level of similar properties including restoration cost.
Property Management Fee	2,212	Assessed in reference with proposals on ML/PM services.
Tenant Advertisement Cost	4,393	Assessed based on the turnover rate deemed to be a stable level, taking into account the competitiveness of the subject property, the trends of track record, market trends.
Tax and Public Dues	7,656	Assessed with reference to most recent actual amounts.
Casualty Insurance	126	Assessed with reference to insurance estimate.
Other Expenses	2,312	Assessed including residents' association membership fee with reference to the level of similar properties.
(3) Net Operating Income [(1)-(2)]	90,228	
(4) Profit from Managing Security Deposit	84	Assessed investment yield as 1.0%.
(5) Capital Expenditure	799	Assessed with reference to the Engineering Report and the level of similar properties.
(6) Net Revenue [(3)+(4)-(5)]	89,513	
(7) Cap Rate	3.3%	Assessed by taking into account the use of the subject property, its location and building conditions, market trends, the comparable evidences, the type of lease, the relations of rights.
DCF Method	2,650,000	
Discount Rate	3.4%	Assessed by taking into account the use of the subject property, its location and building conditions, the level of funding costs, market trends, the type of lease, the relations of rights.
Terminal Cap Rate	3.5%	Assessed by taking into account future uncertainty and other factors in the capitalization rate at the date of value.
Cost Approach	2,490,000	
Ratio of Land	80.1%	
Ratio of Building	19.9%	
Additional considerations made in the reconciliation of evaluation	The market participants make decisions focusing on the stability of income, growth potential, liquidity at the resale, and other factors. The value indicated by the Income Approach reflected this process is highly normative. Accordingly, we determined the final opinion of value by the value indicated by the Income Approach.	

Name of asset	Cross Residence Nihonbashi Hamacho
Date of value	September 1, 2022
Appraisal value (In thousands of yen)	1,620,000
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	1,620,000	We estimated the value indicated by the Income Approach mainly based on the value indicated by the DCF Method, also verified it by the value indicated by the DC Method.
Valuation by the Direct Capitalization Method	1,660,000	
(1) Gross Operating Revenue [(a)-(c)]	69,440	
(a) Effective gross revenue [(b) + (c)]	72,262	Assessed Rental income, CAM income, Utility Fee income, which are considered to be stable levels, based on the the competitiveness of subject property, the trends of track record, market trends, the lease evidences.
(b) Rental income	70,564	Assessed the market rent including CAM income taking into account the lease evidences.
(c) Other income	1,698	Renewal fee income
(d) Vacancy loss	2,822	Assessed based on the vacancy rate deemed to be a stable level, taking into account the competitiveness of subject property, the trends of track record, market trends.
(2) Operating Expenses	14,158	
Maintenance Expense	2,478	Assessed with reference to proposals on ML/PM services.
Utility Expense	768	Assessed based on the level of similar properties, and so on.
Repair Expense	604	Assessed with reference to the Engineering Report and the level of similar properties including restoration cost.
Property Management Fee	1,354	Assessed in reference with proposals on ML/PM services.
Tenant Advertisement Cost	2,745	Assessed based on the turnover rate deemed to be a stable level, taking into account the competitiveness of the subject property, the trends of track record, market trends.
Tax and Public Dues	4,257	Assessed with reference to most recent actual amounts.
Casualty Insurance	76	Assessed with reference to insurance estimate.
Other Expenses	1,873	Assessed including internet usage fee with reference to the level of similar properties.
(3) Net Operating Income [(1)-(2)]	55,281	
(4) Profit from Managing Security Deposit	52	Assessed investment yield as 1.0%.
(5) Capital Expenditure	490	Assessed with reference to the Engineering Report and the level of similar properties.
(6) Net Revenue [(3)+(4)-(5)]	54,843	
(7) Cap Rate	3.3%	Assessed by taking into account the use of the subject property, its location and building conditions, market trends, the comparable evidences, the type of lease, the relations of rights.
DCF Method	1,600,000	
Discount Rate	3.4%	Assessed by taking into account the use of the subject property, its location and building conditions, the level of funding costs, market trends, the type of lease, the relations of rights.
Terminal Cap Rate	3.5%	Assessed by taking into account future uncertainty and other factors in the capitalization rate at the date of value.
Cost Approach	1,547,000	
Ratio of Land	77.7%	
Ratio of Building	22.3%	
Additional considerations made in the reconciliation of evaluation	The market participants make decisions focusing on the stability of income, growth potential, liquidity at the resale, and other factors. The value indicated by the Income Approach reflected this process is highly normative. Accordingly, we determined the final opinion of value by the value indicated by the Income Approach.	

Name of asset	Round-Cross Tsukiji	
Date of value	August 31, 2022	
Appraisal value (In thousands of yen)	3,930,000	
Appraiser	Chuo Real Estate Appraisal Co., Ltd.	
	(In thousands of yen)	
Item	Content	Grounds
Income Approach Value	3,930,000	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	3,920,000	
(1) Gross Operating Revenue [(a)-(g)]	258,916	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	272,897	
(b) Rental income	187,448	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	59,928	Same as above
(d) Utility reimbursement	14,860	Assessed based on actual past data, taking the level of utilities income of similar properties into consideration
(e) Parking Fee income	10,080	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	581	Assessed based mainly on actual past data
(g) Vacancy loss	13,981	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	69,307	
Maintenance Expense	21,812	Assessed based on contract conditions, taking factors such as past data and level of expenses of similar properties into consideration
Utility Expense	15,500	Assessed based on actual past data, taking factors such as level of expenses of similar properties into consideration
Repair Expense	3,527	Assessed based mainly on the Engineering Report
Property Management Fee	4,228	Assessed based on contract conditions
Tenant Advertisement Cost	1,592	Same as above
Tax and Public Dues	22,324	Assessed based on most recent actual amounts
Casualty Insurance	324	Same as above
Other Expenses	0	
(3) Net Operating Income [(1)-(2)]	189,609	
(4) Profit from Managing Security Deposit	1,745	Assessed based on rate of return of 1.0%
(5) Capital Expenditure	22,748	Assessed based on the Engineering Report
(6) Net Revenue [(3)+(4)-(5)]	168,606	
(7) Cap Rate	4.3%	Assessed with reference to investment yields in transactions of similar properties and taking into consideration the individual features of the property such as location, building spec and rights and benefits
DCF Method	3,940,000	
Discount Rate	4.1%	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	4.5%	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	2,550,000	
Ratio of Land	85.5%	
Ratio of Building	14.5%	
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.