

For Immediate Release

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ORIX JREIT Announces Disposition of a Property
“Sports Club Korien”

TOKYO, January 31, 2022 — ORIX JREIT Inc. (“OJR”) announced that our asset management company, ORIX Asset Management Corporation (“OAM”), passed a resolution on the disposition of a property described below.

1. Disposition Summary

Property name	Sports Club Korien
Specified asset category	Real estate trust beneficiary interest
Type	Retail Facility
Area	Other areas ^(Note 2) (Neyagawa-shi, Osaka)
Disposition price	1,255.7 million yen
Appraisal value	1,250 million yen
Book value	1,531 million yen ^(Note 3,4)
Estimated gain/loss on disposition	▲322 million yen ^(Note 3,4)
Buyer	Not-disclosed ^(Note 5)
Contract date	January 31, 2022
Disposition date	February 1, 2022
Existence of intermediary	Yes

Notes:

1. “Property” refers to the property indicated above. “Disposition” refers to the disposition of the Property.
2. “Other areas” refers to areas other than the Greater Tokyo Area (Tokyo, Kanagawa, Saitama and Chiba prefectures)
3. Figures are rounded down to the nearest million yen.
4. Book value is an estimate as of the disposition date. Estimated gain or loss on disposition is pro forma amount based on the book value and assumed disposition expenses. The amounts are subject to change.
5. The buyer is a Japanese company, however, the consent of the buyer could not be obtained, including information on the name of company.

2. Future Outlook

The Disposition is forecasted to result in a loss on disposition of 322 million yen in the 40th fiscal period (September 1, 2021 - February 28, 2022). OJR is considering utilizing internal reserves, hence there will be no revisions to the earnings and distribution forecasts for the 40th fiscal period (September 1, 2021 - February 28, 2022) announced in “Financial Results for the 39th Fiscal Period” dated October 20, 2021. Furthermore, with regard to the 41st fiscal period (March 1, 2022 – August 31, 2022), the impact of the Disposition will be minimal and there will be no revisions to the earnings and distribution forecasts for the 41st fiscal period announced in “Financial Results for the 39th Fiscal Period” dated October 20, 2021.

3. Reason for the Disposition

OJR has been promoting the selective disposition of properties with concerns over future competitiveness or relatively low profitability and thus implementing an asset reshuffling strategy focused on enhancing portfolio quality to achieve stable growth of unitholder value. Under this policy and management strategy, we decided to dispose this property.

- After receiving a notice of cancellation from the tenant of the entire property in March 2021, we started leasing activity for a subsequent tenant, the previous tenant moved out in September 2021.
- Although we considered leasing not limited to a sports club and changing the use of the property to other business types, we assumed the vacant period will be prolonged due to the impact of COVID-19. Even if the leasing is accomplished, we assume the profitability deterioration caused by decreased rent and additional investment required due to aging of the building.

Furthermore, proceeds from the disposition will be used for various initiatives that contribute to the stable growth in unitholder value, such as future property acquisition and the repayment of loans.

4. Summary of the Property

Property name		Sports Club Korien										
Type of ownership		Full ownership										
Address		2-15 Nisshin-cho, Neyagawa-shi, Osaka										
Appraisal value (Date of value)		1,250 million yen (as of January 1, 2022)										
Summary of rental status as of November 30, 2021/The previous tenant has vacated at the end of September 2021.												
							Number of tenants		0			
							Gross rental income		0 yen per month			
							Security deposits		0 yen			
							Total rent space		0 m ²			
							Total rentable space		8,176.36 m ²			
Occupancy rate during past 5 years		August 2017	August 2018	August 2019	August 2020	August 2021						
		100%	100%	100%	100%	100%						
Special notes		None										

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.

5. Profile of the Buyer

The buyer is not disclosed because the consent of the buyer could not be obtained, including the name of the company. There is no capital and personal relationship between OJR and OAM and the buyer. In addition, the buyer is not a "related party" to OJR nor OAM.

6. Payment terms

Settlement terms: 100% on delivery

7. Appraisal Summary

Name of asset	Sports Club Korien	
Date of value	January 1, 2022	
Appraisal value (In thousands of yen)	1,250,000	
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.	
(In thousands of yen)		
Item	Content	Grounds
Income Approach Value	1,250,000	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	1,280,000	
(1) Gross Operating Revenue [(a)-(g)]	96,000	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	96,000	
(b) Rental income	96,000	Assessed based on Rental income which are considered to be stable levels, based on the competitiveness of subject property, the trends of track record, market trends assuming a single tenant.
(c) CAM income	0	
(d) Utility reimbursement	0	
(e) Parking Fee income	0	
(f) Other income	0	
(g) Vacancy loss	0	Assessed based on the vacancy rate which is considered to be a stable level, taking into account the competitiveness of subject property, the trends of track record, market trends assuming a single tenant.
(2) Operating Expenses	17,707	
Maintenance Expense	0	
Utility Expense	0	
Repair Expense	1,668	Assessed based on Engineering Report, the level of similar properties, and so on.
Property Management Fee	2,448	Assessed based on Property Management Contract.
Tenant Advertisement Cost	120	Assessed based on the turnover rate which is considered to be a stable level, taking into account the competitiveness of the subject property, the trends of track record, market trends, and so on.
Tax and Public Dues	11,298	Assessed based on taxable materials.
Casualty Insurance	253	Assessed based on insurance materials and the level of similar properties.
Other Expenses	1,920	Assessed based on the trends of track record, and so on.
(3) Net Operating Income [(1)-(2)]	78,293	
(4)Profit from Managing Security Deposit	480	Assessed investment yield as 1.0%.
(5)Capital Expenditure	15,012	Assessed based on Engineering Report, the level of similar properties, and so on.
(6)Net Revenue [(3)+(4)-(5)]	63,761	
(7)Cap Rate	5.0%	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 , and so on.
DCF Method	1,240,000	
Discount Rate	4.7%	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, and so on.
Terminal Cap Rate	4.9%	Assessed by taking into account future uncertainty and other factors in the capitalization rate at the date of value.
Cost Approach	1,480,000	
Ratio of Land	69.1%	
Ratio of Building	30.9%	
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.	

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.