

For Immediate Release

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ORIX JREIT Announces Disposition of Properties
“Beside Kiba” and “Cross Residence Kanazawa Kohrinbo”

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

1. Disposition Summary

Property name	Beside Kiba	Cross Residence Kanazawa Kohrinbo
Specified asset category	Real estate trust beneficiary interest (Scheduled) ^(Note 2)	Real estate trust beneficiary interest
Type	Office	Residential property
Area	Remaining Tokyo Wards ^(Note 3) (Koto-ku, Tokyo)	Other areas ^(Note 4) (Kanazawa-shi, Ishikawa)
Disposition price	4,135 million yen	3,525.8 million yen
Appraisal value	2,990 million yen	2,760 million yen
Book value	1,800 million yen ^(Note 5,6)	2,046 million yen ^(Note 5,6)
Estimated gain/loss on disposition	2,186 million yen ^(Note 5,6)	1,345 million yen ^(Note 5,6)
Buyer	Not-disclosed ^(Note 7)	Hoosiers Co.,LTD
Contract date	March 31, 2022	March 31, 2022
Disposition date	June 1, 2022 ^(Note 8)	February 1, 2023 ^(Note 8)
Existence of intermediary	Yes	Yes

Notes:

- “Property” refers to each property or collectively to all the properties indicated above. “Disposition” refers to the disposition of the Property.
- As of today, no trust has been established for the Property. OJR plans to establish trust for the Property upon the Disposition.
- “Remaining Tokyo Wards” refers to the remaining Tokyo wards other than the “6 central Tokyo wards (Chiyoda, Chuo, Minato, Shibuya, Shinagawa and Shinjuku wards).”
- “Other areas” refers to areas other than the Greater Tokyo Area (Tokyo, Kanagawa, Saitama and Chiba prefectures)
- Figures are rounded down to the nearest million yen.
- 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.
- The buyer is not disclosed because the consent of the buyer could not be obtained, including information on the type of company.
- Each purchase and sale agreement pertaining to the Disposition (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 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. Future Outlook

This Disposition is part of our asset reshuffling strategy to enhance portfolio quality. Gain on the Dispositions will be recognized during the 41st Fiscal Period ending August 31, 2022, and the 42nd Fiscal Period ending February 28, 2023 respectively, with due consideration of DPU.

For details, please refer to the press release "ORIX JREIT Announces Revisions to Earnings and Distribution Forecasts for the 41st Fiscal Period ending August 31, 2022" and Earnings and Distribution Forecasts for the 42nd Fiscal Period ending February 28, 2023" announced today.

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.

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 have been 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 the Property.

(1) Beside Kiba

- This property was owned since 2002 upon listing and is now in its 31st year since Construction. Thus, we estimate that a considerable amount of additional repair costs is to be incurred in the future.
- In addition, although the property is currently fully occupied, as it is situated in an unaccommodating office location, we believe maintaining future competitiveness to be a concern.

(2) Cross Residence Kanazawa Kohrinbo

- Despite this property being a high grade residential property, leasing has been competitive due to the increased supply of newly built condominiums available for rent. The amenities and specifications of this property have thus become inferior to those competing properties due to its age (15 years old). With the weakened occupancy, there is a concern of declining competitiveness in the future.

4. Summary of the Property

(1) Beside Kiba

Property name	Beside Kiba
Type of ownership	Full ownership
Address	2-17-16 Kiba, Koto-ku, Tokyo ^(Note1)
Appraisal value (Date of value)	2,990 million yen (as of February 28, 2022)
Summary of rental status as of January 31, 2022	
Number of tenants	6
Gross rental income excluding parking	13 million yen per month ^(Note2)
Security deposits	147 million yen ^(Note2)

	including parking				
	Total rent space	4,758.03 m ²			
	Total rentable space	4,758.03 m ²			
Occupancy rate during past 5 years	August 2017	August 2018	August 2019	August 2020	August 2021
	84.5%	100%	100%	100%	100%
Special notes		None			

(2) Cross Residence Kanazawa Kohrinbo

Property name		Cross Residence Kanazawa Kohrinbo				
Type of ownership		Full ownership				
Address		2-4-3 Kohrinbo, Kanazawa-shi, Ishikawa ^(Note1)				
Appraisal value (Date of value)		2,760 million yen (as of February 28, 2022)				
Summary of rental status as of January 31, 2022						
	Number of tenants	Residential: 1 (pass through-type master lease agreement) Retail: 3				
	Gross rental income excluding parking	16 million yen per month ^(Note2)				
	Security deposits including parking	82 million yen ^(Note2)				
	Total rent space	5,928.48 m ²				
	Total rentable space	6,680.44 m ²				
Occupancy rate during past 5 years		August 2017	August 2018	August 2019	August 2020	August 2021
		90.5%	93.2%	85.7%	84.4%	83.6%
Special notes		None				

Notes:

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.

5. Profile of the Buyer

(1) Beside Kiba

The buyer is not disclosed because the consent of the buyer could not be obtained, including information on the type of company. The buyer is not a "related party" to OJR nor OAM.

(2) Cross Residence Kanazawa Kohrinbo

As of March 1, 2022

Company name	Hoosiers Co.,LTD
Address	2-2-3 Marunouchi, Chiyoda-ku, Tokyo
Representative	CEO Eiichi Ogawa
Primary Business	Real estate transaction, intermediation, leasing, management and consulting, etc
Capital	2.4 billion yen
Date of establishment	December 21, 1994
Net Assets (As of March 31, 2021)	19 billion yen
Total Assets (As of March 31, 2021)	51 billion yen
Major shareholders (As of March 31, 2021)	Hoosiers Holdings 100%
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. Payment terms

(1) Beside Kiba

Settlement terms: 100% on delivery

(2) Cross Residence Kanazawa Kohrinbo

Settlement terms: 10% on execution of purchase and sales agreement, 90% on delivery

7. Appraisal Summary

(1) Beside Kiba

Name of asset	Beside Kiba
Date of value	February 28, 2022
Appraisal value (In thousands of yen)	2,990,000
Appraiser	Tanizawa Sogo Appraisal Co., Ltd.

(In thousands of yen)

Item	Content	Grounds
Income Approach Value	2,990,000	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	3,040,000	
(1) Gross Operating Revenue [(a)-(g)]	189,797	
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	200,721	Assessed Rental income, Utility Fee income, Parking Fee income, which are considered to be stable levels, based on the competitiveness of subject property, the trends of track record, market trends, the lease evidences, and so on.
(b) Rental income	169,290	Assessed the market rent taking into account the lease evidences and so on.
(c) CAM income	0	
(d) Utility reimbursement	23,980	Assessed based on the trends of track record, and so on.
(e) Parking Fee income	6,300	Assessed based on the trends of track record, and so on.
(f) Other income	1,150	Assessed based on the trends of track record, and so on.
(g) Vacancy loss	10,923	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, and so on.
(2) Operating Expenses	56,841	
Maintenance Expense	12,561	Assessed based on the trends of track record, BM fee-related materials, and the level of similar properties, and so on.
Utility Expense	22,838	Assessed based on the trends of track record, and so on.
Repair Expense	3,875	Assessed based on Engineering Report, the level of similar properties, and so on.
Property Management Fee	2,338	Assessed based on Property Management Contract, the level of similar properties, and so on.
Tenant Advertisement Cost	1,579	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, and so on.
Tax and Public Dues	12,609	Assessed based on taxable materials.
Casualty Insurance	279	Assessed based on insurance materials and the level of similar properties, and so on.
Other Expenses	759	Assessed based on the trends of track record, and so on.
(3) Net Operating Income [(1)-(2)]	132,956	
(4) Profit from Managing Security Deposit	1,616	Assessed investment yield as 1.0%.
(5) Capital Expenditure	10,075	Assessed based on Engineering Report, the level of similar properties, and so on.
(6) Net Revenue [(3)+(4)-(5)]	124,498	
(7) Cap Rate	4.1%	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	2,970,000	
Discount Rate	4.2%	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, and so on.
Terminal Cap Rate	4.3%	Assessed by taking into account future uncertainty and other factors in the capitalization rate at the date of value.
Cost Approach	2,750,000	
Ratio of Land	73.2%	
Ratio of Building	26.8%	

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.
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(2) Cross Residence Kanazawa Kohrinbo

Name of asset		Cross-Residence Kanazawa Korinbo	
Date of value		February 28, 2022	
Appraisal value (In thousands of yen)		2,760,000	
Appraiser		Chuo Real Estate Appraisal Co., Ltd.	
(In thousands of yen)			
Item	Content	Grounds	
Income Approach Value	2,760,000	Income approach is determined with emphasis on income approach by the DCF method, with income approach using the direct capitalization method also taken into consideration	
Valuation by the Direct Capitalization Method	2,620,000		
(1) Gross Operating Revenue [(a)-(g)]	189,916		
(a) Effective gross revenue [(b) + (c) + (d) + (e) + (f)]	216,433		
(b) Rental income	184,970	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	9,490	Same as above	
(d) Utility reimbursement	5,770	Assessed based on actual past data, taking the level of utilities income of similar properties into consideration	
(e) Parking Fee income	14,760	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	1,443	Assessed based on actual past data	
(g) Vacancy loss	26,517	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	46,589		
Maintenance Expense	11,911	Assessed based on contract conditions, taking factors such as past data and level of expenses of similar properties into consideration	
Utility Expense	6,479	Assessed based on actual past data, taking factors such as level of expenses of similar properties into consideration	
Repair Expense	5,976	Assessed based on ER	
Property Management Fee	3,960	Assessed based on contract conditions	
Tenant Advertisement Cost	3,915	Same as above	
Tax and Public Dues	13,995	Assessed based mainly on most recent actual amounts	
Casualty Insurance	302	Same as above	
Other Expenses	51	Same as above	
(3) Net Operating Income [(1)-(2)]	143,327		
(4)Profit from Managing Security Deposit	693	Assessed based on rate of return of 1.0%	
(5)Capital Expenditure	7,872	Assessed based on ER	
(6)Net Revenue [(3)+(4)-(5)]	136,148		
(7)Cap Rate	5.2%	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	2,820,000		
Discount Rate	5.0%	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	5.4%	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	2,080,000		
Ratio of Land	52.4%		
Ratio of Building	47.6%		
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.