

**For Immediate Release**

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**ORIX JREIT Announces Revisions of Earnings & Distributions Forecasts for the 32<sup>nd</sup> fiscal period ending February 28, 2018 and the 33<sup>rd</sup> fiscal period ending August 31, 2018, and Earnings & Distribution Forecasts for the 34<sup>th</sup> fiscal period ending February 28, 2019**

TOKYO, February 26, 2018 — ORIX JREIT Inc. (“OJR”) announces the following revisions to its earnings and distributions forecasts for the 32<sup>nd</sup> fiscal period from September 1, 2017 through February 28, 2018 and the 33<sup>rd</sup> fiscal period from March 1, 2018 through August 31, 2018 indicated in “ORIX JREIT Announces Financial Results for the 31<sup>st</sup> Fiscal Period” released on October 17, 2017.

In addition, OJR announces its earnings and distribution forecasts for the 34<sup>th</sup> fiscal period from September 1, 2018 through February 28, 2019.

**1. Revised Earnings & Distribution Forecasts for the 32<sup>nd</sup> fiscal period ending February 28, 2018**

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit excluding distribution in excess of earnings (yen)	Distributions per unit in excess of earnings (yen)
Previous forecasts (A)	22,550	9,958	8,487	8,468	3,160	0
Revised forecasts (B)	22,912	10,391	8,896	8,877	3,210	0
Change (B – A)	362	432	409	409	50	—
Percent change	+1.6%	+4.3%	+4.8%	+4.8%	+1.6%	—

Notes:

- The number of investment units issued at the end of the fiscal period is forecasted to be 2,680,000 units.
- Operating revenues, Operating income, Ordinary income and Net income are rounded down to the nearest million yen. Percent change is rounded to the first decimal place.
- For the purpose of balance of future distribution, OJR will set aside a certain amount, 276 million yen, out of its unappropriated retained earnings as internal reserves based on "Special Provisions for Taxation in the Event of Advance Acquisition of Land, etc. in 2009 and 2010" stipulated in Article 66-2 of the Act on Special Measures Concerning Taxation. The remaining amount calculated by deducting the foregoing internal reserves from unappropriated retained earnings is scheduled to be fully distributed to its unitholders.

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## 2. Revised Earnings & Distribution Forecasts for the 33<sup>rd</sup> fiscal period ending August 31, 2018

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit excluding distribution in excess of earnings (yen)	Distributions per unit in excess of earnings (yen)
Previous forecasts (A)	22,678	9,985	8,487	8,468	3,160	0
Revised forecasts (B)	23,382	10,465	8,961	8,942	3,240	0
Change (B – A)	704	479	473	473	80	–
Percent change	+3.1%	+4.8%	+5.6%	+5.6%	+2.5%	–

Notes:

- Number of investment units issued at the end of the fiscal period in previous earnings forecasts announced as of October 17, 2017 was 2,680,000 units. The number of investment units issued at the end of the fiscal period in the revised forecasts announced is 2,760,000 units.
- Operating revenues, Operating income, Ordinary income and Net income are rounded down to the nearest million yen. Percent Change is rounded to the first decimal place.

## 3. Reason for Revision

OJR has revised its earnings and distributions forecasts for both the 32<sup>nd</sup> fiscal period ending February 28, 2018 and the 33<sup>rd</sup> fiscal period ending August 31, 2018 announced on October 17, 2017, as shown in the above-mentioned table 1 and 2, mainly due to the following factors.

### (1) The 32<sup>nd</sup> fiscal period ending February 28, 2018

- Accrual of capital gain of 275 million yen from transfer of a property “Round-Cross Minami Azabu”<sup>(Note1)</sup> announced on December 6, 2017 and set-aside of 276 million yen as internal reserves.
- Increase of rental revenues from existing properties due to improvement of leasing conditions and accelerated leasing.
- Decrease of utility charges.

### (2) The 33<sup>rd</sup> fiscal period ending August 31, 2018

- Accrual of Operating income attributable to acquisition of “Hotel Universal Port”<sup>(Note2)</sup> announced today.
- Increase of rental revenues from existing properties due to improvement of leasing conditions and accelerated leasing.
- Increase of 80,000 investment units following the issuance of new investment units and secondary offering of investment units announced by the resolution today.<sup>(Note3)</sup>

Notes:

- For details of transfer of property, please refer to the press release “ORIX JREIT Announces Property Transfer ‘Round-Cross Minami Azabu’” announced on December 6, 2017.
- For details of property acquisition, please refer to the press release “ORIX JREIT Announces Property Acquisition ‘Hotel Universal Port’” announced today.
- For details of issuance of new investment units and secondary offering of investment units, please refer to the press release “ORIX JREIT Announces Issuance of New Investment Units and Secondary Offering of Investment Units” to be announced at a later date. The increase of investment units is based on the assumption that the maximum limit of new investment units through public offering and third-party allotment will issue.

#### 4. Earnings & Distribution Forecasts for the 34<sup>th</sup> fiscal period ending February 28, 2019

	Operating revenues (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distributions per unit excluding distribution in excess of earnings (yen)	Distributions per unit in excess of earnings (yen)
Forecasts (A)	23,516	10,512	9,072	9,053	3,280	0
The revised 33 <sup>rd</sup> fiscal period forecasts (B)	23,382	10,465	8,961	8,942	3,240	0
Change (A—B)	133	46	110	110	40	—
Percent change	+0.6%	+0.4%	+1.2%	+1.2%	+1.2%	—

Notes:

1. The number of investment units issued at the end of the fiscal period is forecasted to be 2,760,000 units.
2. Operating revenues, Operating income, Ordinary income and Net income are rounded down to the nearest million yen. Percent Change is rounded to the first decimal place.

#### 5. Period-over-Period Comparison of Forecasts for the 33<sup>rd</sup> fiscal period ending August 31, 2018 and the 34<sup>th</sup> fiscal period ending February 28, 2019

- i. Mainly contribution of operating income (accrual of variable rent) attributable to acquisition of “Hotel Universal Port” announced today.

Note:

1. For details, please refer to following table shown in Appendix “II. Profit and Loss statement from the 31<sup>st</sup> fiscal period ended August 31, 2017 through the 34<sup>th</sup> fiscal period ending February 28, 2019”.

Disclaimer:

These forecasts provide no guarantees of actual Operating revenues, Operating income, Ordinary income, Net income, and distribution per unit, which may vary due to future additional acquisitions or transfers of specific properties, changes in the management environment and others.

The revisions of the Earnings & Distribution Forecasts for the 33<sup>rd</sup> fiscal period ending August 31, 2018 and the Earnings and Distribution Forecasts for the 34<sup>th</sup> fiscal period ending February 28, 2019 are calculated based on certain assumptions shown for reference in Appendix “I. Assumptions for Earnings & Distributions Forecasts for the 33<sup>rd</sup> fiscal period and the 34<sup>th</sup> fiscal period”.

#### Appendix for reference:

- I. Assumptions for Earnings & Distributions Forecasts for the 33<sup>rd</sup> fiscal period and the 34<sup>th</sup> fiscal period.
- II. Profit and Loss statement from the 31<sup>st</sup> fiscal period ended August 31, 2017 through the 34<sup>th</sup> fiscal period ending February 28, 2019.

Notes:

1. 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.
2. The original Japanese version of this announcement is being distributed today to the Kabuto Club, the Ministry of Land, Infrastructure, Transport and Tourism Press Club, and the Ministry of Land, Infrastructure, Transport and Tourism Construction Specialty Publication Press Club.

**I. Assumptions for Earnings & Distributions Forecasts for the 33<sup>rd</sup> fiscal period and the 34<sup>th</sup> fiscal period**

Fiscal period	<ul style="list-style-type: none"> <li>▪ The 33<sup>rd</sup> fiscal period from March 1, 2018 through August 31, 2018</li> <li>▪ The 34<sup>th</sup> fiscal period from September 1, 2018 through February 28, 2019</li> </ul>
Properties owned	<ul style="list-style-type: none"> <li>▪ Assumptions for Earnings Forecasts are made based on the total number of properties (111 properties) obtained by adding “Hotel Universal Port” to be acquired on April 2, 2018 to 110 properties owned by OJR today. In addition, this assumption is based on the precondition that there will be no change to properties owned through additional property acquisitions or transfers of existing properties by the end of the 34<sup>th</sup> fiscal period ending February 28, 2019.</li> <li>▪ It is possible that the number of properties owned by OJR may vary as results of acquisitions or transfers.</li> </ul>
Number of Investment Units Issued	<ul style="list-style-type: none"> <li>▪ OJR assumes 2,760,000 units calculated by adding 80,000 units in total which includes 76,190 units by the issuance of new investment units through public offering as well as the maximum limit of 3,810 units by the issuance of new investment units through third-party allotment following secondary offering of investment units through over-allotment pursuant to the resolution at OJR’s board meeting today to the number of investment units issued of 2,680,000 units forecasted at the end of the 32<sup>nd</sup> fiscal period ending February 28, 2018.</li> <li>▪ OJR assumes that the maximum limit of 3,810 units will be fully issued regarding new investment units through third-party allotment.</li> </ul>
Interest-bearing debt	<ul style="list-style-type: none"> <li>▪ As of today, OJR incurs Interest-bearing liabilities of 288,017 million yen including loans of 273,517 million yen and investment corporation bonds of 14,500 million yen. LTV based on total assets <sup>(Note 1, 3)</sup> stands at 43.7% and LTV based on unitholders’ capital <sup>(Note 2, 3)</sup> records 47.1%.</li> <li>▪ OJR assumes that it will fully refinance loans of 12,500 million yen due during the 33<sup>rd</sup> fiscal period ending August 31, 2018. OJR assumes that it will fully redeem its investment corporation bonds of 5,000 million yen due during the period. OJR assumes to retain 11,433 million yen of proceeds to be received from issuance of Investment units through public offering resolved at OJR’s board meeting as of today as cash in hand in order to partially allocate it to funds for the acquisition of the property to be acquired. OJR assumes to retain 571 million yen of proceeds to be received from the issuance of investment units through third-party allotment as cash in hand in order to partially allocate it to funds for acquisition of specific property or repayment of loans in the future.</li> <li>▪ OJR assumes that it will fully refinance its loans of 15,260 million yen due during the 34<sup>th</sup> fiscal period ending February 28, 2019. No investment corporation bonds will reach maturity during this period.</li> <li>▪ Following the above, the balance of interest-bearing debt at the end of the 33<sup>rd</sup> fiscal period ending August 31, 2018 and at the end of the 34<sup>th</sup> fiscal period ending February 28, 2019 is forecasted to stand at 288,017 million yen. Since OJR assumes that unitholders’ capital will increase as results of issuance of new investment units through public offering and third-party allotment resolved in OJR’s board meeting held today, OJR forecasts to have an LTV based on total assets of 42.9% and an LTV based on unitholders’ capital of 46.2%. However, the above-mentioned balance of Interest-bearing debt and LTVs may vary according to issue price of units offered at this time.</li> </ul> <p>Notes:</p> <ol style="list-style-type: none"> <li>1. LTV based on total assets (%) = interest-bearing liabilities ÷ expected total assets × 100  “expected total assets” refers to the amount calculated by adding net increase in both interest-bearing liabilities and the unitholders’ capital on and after September 1, 2017 to total assets at the end of 31<sup>st</sup> fiscal period ended August 31, 2017.</li> <li>2. LTV based on unitholders’ capital (%) = interest-bearing liabilities ÷ (interest-bearing liabilities + unitholders’ capital) × 100</li> </ol>

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	<p>3. Both LTV based on total assets and LTV based on unitholders' capital are rounded to the first decimal place.</p>
Operating revenues	<ul style="list-style-type: none"> <li>▪ Rental revenues are calculated according to valid lease agreements as of today by taking into account the market environment, competitiveness of each property and negotiations with tenants. Furthermore, Rental revenues from the property to be acquired are calculated based on terms and conditions set forth in lease agreements of property on and after the date to be acquired as of today.</li> <li>▪ OJR assumes that there are no arrears or non-payments regarding rents incurred by tenants.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>▪ In principal, OJR books property related tax amount as expense on the properties owned by OJR during the corresponding year.</li> <li>▪ However, OJR capitalizes property-related expenses borne by OJR to book value on acquired properties during the fiscal period. Property-related expenses on "Hotel Universal Port" to be acquired on April 2, 2018 will be expensed starting from the 35<sup>th</sup> fiscal period ending August 31, 2019, which OJR assumes approximately 46 million yen.</li> <li>▪ Repair costs may vary considerably from the forecasted amount because the amount may change considerably in each fiscal period and may not arise on a periodic manner.</li> <li>▪ Property-related taxes are forecasted to be 1,817 million yen in the 33<sup>rd</sup> fiscal period ending August 31, 2018 and 1,817 million yen in the 34<sup>th</sup> fiscal period ending February 28, 2019.</li> <li>▪ Property management fees are forecasted to be 2,015 million yen in the 33<sup>rd</sup> fiscal period ending August 31, 2018 and 2,035 million yen in the 34<sup>th</sup> fiscal period ending February 28, 2019.</li> <li>▪ Depreciation expenses are forecasted to be 4,091 million yen in the 33<sup>rd</sup> fiscal period ending August 31, 2018 and 4,124 million yen in the 34<sup>th</sup> fiscal period ending February 28, 2019.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>▪ Non-operating expense such as interest expenses on loans and investment corporation bonds are forecasted to be 1,506 million yen in the 33<sup>rd</sup> fiscal period ending August 31, 2018 and 1,442 million yen in the 34<sup>th</sup> fiscal period ending February 28, 2019.</li> <li>▪ Costs relating to the issuance of new investment units resolved in OJR's board meeting today are forecasted to be 25 million yen in the 32<sup>nd</sup> fiscal period ending February 28, 2018 and 27 million yen in the 33<sup>rd</sup> fiscal period ending August 31, 2018.</li> </ul>
Distribution per unit	<ul style="list-style-type: none"> <li>▪ OJR assumes that it will make a distribution up to the profit amount, while the distribution amount shall exceed the amount equivalent to 90% of the amount of OJR's account profit available for distribution.</li> <li>▪ The amount of distribution per unit may vary depending on factors such as changes in rental revenues by changes of tenants, transfers or acquisitions of properties, changes in interest rates and additional issuance of new investment units.</li> </ul>
Distribution per unit in excess of earnings	<ul style="list-style-type: none"> <li>▪ There is currently no plan to make a distribution in excess of earnings.</li> </ul>
Other	<ul style="list-style-type: none"> <li>▪ OJR assumes that there will be no revision in legislation, tax system, accounting standards, stock market listing regulation and regulations of The Investment Trusts Association, Japan and others that may affect future numerical forecasts.</li> <li>▪ OJR assumes that there will be no major unforeseen changes to ordinary economic trends and real estate market fundamentals.</li> </ul>

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## II. Profit and Loss statement from the 31<sup>st</sup> fiscal period ended August 31, 2017 through the 34<sup>th</sup> fiscal period ending February 28, 2019

(million yen)

	Actual result for FP31 (Aug. 2017)	Forecast for FP32 (Feb. 2018)	Forecast for FP33 (Aug. 2018)	Forecast for FP34 (Feb. 2019)
Rental revenues	19,897	20,277	20,955	21,154
Other operating revenues	2,587	2,359	2,427	2,362
Gains on sale of real estate properties	-	275	-	-
<b>Total operating revenue</b>	<b>22,484</b>	<b>22,912</b>	<b>23,382</b>	<b>23,516</b>
Property management fees	2,104	2,126	2,015	2,035
Utility charges	1,796	1,802	1,980	1,923
Property-related taxes	1,718	1,718	1,817	1,817
Repair cost	487	575	647	641
Depreciation expenses	4,015	3,976	4,091	4,124
Others	442	499	547	619
<b>Property-related expense</b>	<b>10,564</b>	<b>10,699</b>	<b>11,098</b>	<b>11,161</b>
<b>Operating income</b>	<b>11,920</b>	<b>12,213</b>	<b>12,284</b>	<b>12,355</b>
Asset management fee	1,396	1,447	1,447	1,479
Administrative service fee	166	179	173	173
Other expense	164	195	197	191
<b>Expenses other than property-related expense</b>	<b>1,727</b>	<b>1,822</b>	<b>1,818</b>	<b>1,843</b>
<b>Total operating expense</b>	<b>12,291</b>	<b>12,521</b>	<b>12,917</b>	<b>13,004</b>
<b>Operating income</b>	<b>10,192</b>	<b>10,391</b>	<b>10,465</b>	<b>10,512</b>
Non-operating income	3	2	2	2
Financing-related costs <sup>(Note1)</sup>	1,492	1,464	1,470	1,434
Issuance costs of new units	24	25	27	-
Other expense	7	8	8	8
<b>Non-operating expense</b>	<b>1,523</b>	<b>1,497</b>	<b>1,506</b>	<b>1,442</b>
<b>Ordinary income</b>	<b>8,672</b>	<b>8,896</b>	<b>8,961</b>	<b>9,072</b>
Extraordinary income or loss	-	-	-	-
<b>Income before income taxes</b>	<b>8,672</b>	<b>8,896</b>	<b>8,961</b>	<b>9,072</b>
Provision for income taxes	15	19	19	19
<b>Net income</b>	<b>8,657</b>	<b>8,877</b>	<b>8,942</b>	<b>9,053</b>
Internal reserves	-	276	-	-
<b>Distributable profit</b>	<b>8,657</b>	<b>8,603</b>	<b>8,942</b>	<b>9,053</b>
Number of investment units outstanding (unit)	2,680,000	2,680,000	2,760,000	2,760,000
DPU (yen)	3,230	3,210	3,240	3,280
CAPEX	1,615	1,357	1,133	2,067

Reference: Assumption of property-related income / loss from "Hotel Universal Port" and "Round-Cross Mnamí Azabu", which included in the forecasts above.

(million yen)

	Actual result for FP31 (Aug. 2017)	Forecast for FP32 (Feb. 2018)	Forecast for FP33 (Aug. 2018)	Forecast for FP34 (Feb. 2019)	Assumption per period based on appraisal value at the time of acquisitions (Note3)
Rental revenues		-27	(Note2) 576	(Note2) 761	
Other operating revenues		-3	-7	-7	
Gains on sale of real estate properties		275	-	-	
<b>Total operating revenue</b>		<b>244</b>	<b>568</b>	<b>753</b>	<b>1,068</b>
<b>Property-related expense</b>		<b>-12</b>	<b>231</b>	<b>319</b>	<b>346</b>
Property-related taxes		-	-5	-5	46
Depreciation expenses		-3	203	246	257
<b>Operating income</b>		<b>257</b>	<b>336</b>	<b>433</b>	<b>722</b>
<b>Total income or loss other than property-related expense</b>		<b>35</b>	<b>27</b>	<b>32</b>	
<b>Net income</b>		<b>222</b>	<b>308</b>	<b>401</b>	
Internal reserves		276	-	-	
<b>Distributable profit</b>		<b>-53</b>	<b>308</b>	<b>401</b>	
Number of investment units outstanding (unit)		-	80,000	80,000	
DPU (yen)		-20	19	52	

Note:

- "Financing-related costs" refers to the sum of interest expenses, interest on investment corporation bonds, depreciation of investment corporation bonds issuance costs and funding related expenses.
- With respect to the rental revenues regarding "Hotel Universal Port" which OJR will receive in the 33<sup>rd</sup> fiscal period ending August 31, 2018, normally no variable rent would accrue, because OJR will not own the property during such calculation period regarding the variable rent; however, in order to stabilize cash distributions, it has been agreed with the tenant that OJR shall receive 200 million yen, in addition to the fixed rent for such period and that 200 million yen shall be deducted from the variable rent which OJR would receive in the 34<sup>th</sup> fiscal period ending February 28, 2019.
- "Operating Income" and "Property-related expense excluding depreciation expenses" are based on appraisal reports obtained at the time to make a decision to acquire the property. "Depreciation expenses" refers to estimated depreciation expenses by OJR at the time to make a decision to acquire the property.

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