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For Immediate Release

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ORIX JREIT Announces Partial Revision of Asset Management Company's Internal Regulations (Regulation for Asset Management and Property Management for OJR)

TOKYO, August 17, 2010 ORIX Asset Management Corporation, the company contracted by ORIX JREIT Inc. (OJR) to manage its assets, has announced a partial revision of its Regulation for Asset Management and Property Management for OJR (hereinafter "Management Regulations"). Resolved at its Board of Directors meeting held today, the outline of the amendments to the internal regulations is outlined below.

1. Summary

The Management Regulations revision will be conducted with the aim to maintain and increase profit distribution levels over the medium to long term, through the creation of a solid portfolio that combines stability and growth potential with the ability to adapt to a changing environment.

Under the revisions, the investment ratio, previously "approximately 80% or more" in office-use real estate and "approximately 20% or less" in non-office-use real estate, will be changed to "approximately 60% or more" and "approximately 40% or less," respectively. This is in accordance with the policy of promoting overall real estate investment with a competitive edge, with a focus on the features of each sector and matching trends in the sales and rental markets.

In conjunction with the investment ratio change, a recommencement in residential properties investment is planned. However, since new investment in this sector is currently restricted by the current Articles of Incorporation, the revision of the management regulations announced in this press release is conditional upon the approval of its partial modification at the scheduled general meeting of unitholders (see Section 4. below for details).

2. Background to Revisions

OJR is a diversified JREIT that was first listed on the stock exchange in 2002. With the view of achieving stable profit distribution over the medium to long term, OJR has built up a portfolio primarily focusing on offices and the Greater Tokyo area, because of outstanding liquidity and internal growth potential due to relatively steady demand. During the office rental market boom, OJR achieved an increase in the level of profit distributions through internal growth that drew on its portfolio's high growth potential. However, against the backdrop of the global economic slowdown from the recent financial crisis and the impact of deflation, the environment surrounding today's office rental market has remained difficult, and OJR's portfolio of office-use real estate has been affected by rising vacancy rates and falling rental rates.

In order to increase the stability and profitability of the portfolio, and to maintain and increase profit

distributions in this environment, OJR acquired retail facilities, a site and logistics facility in March 2010 as selective investments in assets with stable cash flow and outstanding earning potential. Furthermore, OJR has also been replacing some of its office assets as a strategy to strengthen the portfolio.

Anticipating that a full scale recovery in the Japanese economy and particularly the office rental market outlook will remain uncertain for some time, OJR has concluded that it will be effective to increase the latitude for sector diversification, widely said to be the inherent strength of a diversified JREIT, in order to maintain and improve medium and long-term distribution levels. In other words, OJR should establish a structure to facilitate flexible acquisition of real estate that have different earning features to keep step with changes in the environment. In line with this principle, by recommencing investment in residential properties which will ensure increased stability of the portfolio, OJR will endeavor to build a solid portfolio that combines stability and growth potential with the ability to adapt to a cyclical real estate market.

Currently, signs are appearing that JREIT capitalization rates, which are appraised at the end of each fiscal period, have stopped rising. Furthermore, the anticipated yield for investment real estate appears to be almost flattening, according to a real estate investors' survey. Thus, OJR believes that the price of real estate with stable cash flow is close to bottoming out. The current revisions of the regulations will make it possible to invest in a broader range of real estate for greater external growth, facilitating the acquisition of premium properties to take more advantage of key opportunities not only in the area of offices, but also logistics facilities, retail facilities and residential properties. Looking to the future, OJR will direct all its efforts to achieve flexible and mobile external growth and portfolio management that keeps step with changes in the environment. In addition, OJR will strive to maintain and increase profit distributions over the medium to long term, taking advantage of the expertise and business network that the ORIX Group has cultivated during the course of the diversified financial services business, as well as the real estate development and management capabilities fostered as a developer.

3. Main Details of Revisions and Rationale for Revisions

(1) Portfolio Building Policy

(a) Sector Diversification

In order to facilitate flexible and mobile external growth and portfolio management that keep step with changes in the environment, the investment ratio for real estate used for offices will change from “approximately 80% or more” to “approximately 60% or more.” In conjunction with this, investment in residential properties will recommence. The primary cash flow source for acquiring residential properties comes from actual demand from private individuals, which makes it relatively less affected by economic trends compared with other sectors. Residential properties also features small fluctuations in rental rates. Therefore, OJR considers that it can contribute to increasing the stability of the portfolio.

Moreover, since OJR was listed on the stock exchange, it has made no investments in hotels. Considering that opportunities for OJR to invest in hotels are quite limited compared with other sectors, it has been decided to eliminate hotels as an independent investment sector classification and include them under “Other.”

(b) Geographical Diversification

OJR will change the geographical categories in Tokyo from the current classifications of “Three central Tokyo wards” and “Remaining Tokyo Wards” to “Six central Tokyo wards” and “Remaining Tokyo Wards.” This extends the area defined as central Tokyo in consideration of the increasing maturity and future development potential of Shinjuku, Shibuya and Shinagawa wards as office areas.

* Underlined sections indicate changes.

Table 1

Sector		Area	
		Greater Tokyo	Other areas
Offices	<u>60%</u> or more	80% or more	20% or less
Logistics facilities	<u>40%</u> or less		
Retail facilities			
<u>Residential properties</u>			
Other			

Notes: Percentages indicate approximate value.

The investment ratio for each area indicates the ratio of the total of real estate investments of all sectors in the area. The investment ratio for each sector in each area shall be set by the investment policy.

Table 2

Area		Definition
Greater Tokyo	Six central Tokyo wards	Chiyoda, Chuo, Minato, <u>Shinjuku, Shibuya, and Shinagawa wards</u>
	Remaining Tokyo Wards	Remaining Tokyo Wards, other than the <u>six central Tokyo wards</u>
	Other Parts of the Greater Tokyo Area	Other parts of Tokyo, Kanagawa, Saitama, and Chiba Prefectures
Other areas		Other areas except for the above

(2) Real Estate Management Policy

It is stipulated that, as part of the management fee paid to the external management company, OJR shall pay approximately 3% or less of gross revenue as the basic fee. Nevertheless, for residential and non-office sectors it is sometimes possible to be forced to pay in excess of 3% depending on the content and conditions of the management contract. Therefore, it will now be stipulated in the regulations that a rate for the basic fee may be set regardless of the said rate.

(3) Investment Policy

The asset management company establishes its investment policy for each financial settlement period of OJR as the operational policy valid for the time being based on the OJR Articles of Incorporation and the Management Regulations. The criteria for the figures in the investment policy shall now be determined based on a comprehensive consideration of such factors as real estate market conditions, market data and the future outlook.

The formulation of the investment policy shall now require the approval of the Board of Directors of the asset management company, and relevant procedures will be made stringent.

“ORIX JREIT Investment Policy Amendment,” published in conjunction with this press release includes part of the investment policy for future reference on investment strategies. Refer to this for further information.

(4) Stance on Investment by Real Estate Sector

OJR will change its investment stance established for each sector in line with this change in its portfolio building policy, as well as its understanding of current economic conditions and real estate market trends.

For details of the revisions outlined above, see Appendix “Management Regulations: Table Comparing New and Previous Sections of Main Revisions.”

4. Additional information for investor

• Holding of General Meeting of Unitholders

As stated in Section 1. above, revisions to the Management Regulations are conditional on the approval of the change to the Articles of Incorporation concerning the recommencement of investment in residential properties at OJR’s general meeting of unitholders. To propose a partial revision of the Articles of Incorporation, OJR’s Board of Directors meeting held today resolved to convene a general meeting of unitholders on October 26, 2010 with the Date of Record being August 31, 2010.

Addendum

Management Regulations: Table Comparing Current and Proposed Provision for Main Changes

The original Japanese version of this material 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 Press Club for Construction Publications.

Management Regulations: Table Comparing Current and Proposed Provision for Main Changes (Changes are underlined)

Current	Proposed
<p style="text-align: center;">Chapter 1 General Provisions</p> <p style="text-align: center;">Article 4 Other</p> <p>In these Regulations, medium-term shall denote a period of at least <u>five</u> years and less than <u>ten</u> years, while long-term shall denote a period of at least <u>ten</u> years.</p>	<p style="text-align: center;">Chapter 1 General Provisions</p> <p style="text-align: center;">Article 4 Other</p> <p>In these Regulations, medium-term shall denote a period of at least <u>three</u> years and less than <u>five</u> years, while long-term shall denote a period of at least <u>five</u> years.</p>
<p style="text-align: center;">Chapter 2 Investment Policy</p> <p>Article 5 Policy on Portfolio Construction</p> <p>In order to minimize the various risks inherent in the portfolio <u>and to achieve stable distributions for investors</u>, OJR shall aim to construct its portfolio by taking full account of the four points listed below. <u>With regard to the investment ratio in each sector and/or geographical area, OJR shall implement its investments based on a full examination of the current real estate market conditions, and, specifically for the time being in accordance with numerical figures below.</u></p> <p><u>The numerical criteria below have been established as the guidelines for investment management for the near future based on a comprehensive consideration concerning the scale of the Japanese market for each sector, the level of the opportunities for property acquisition, the extent of the margin for future internal growth, the investment attitude of investors, the management structure of the management company and the view at the management company on the current real estate market overall. The actual situation may not necessarily conform to the criteria below due to unforeseen changes in the real estate market environment, opportunities for property acquisition and other circumstances.</u></p> <p>(1) Sector Diversification</p> <p>OJR shall primarily invest in <u>office-use real estate</u>. Nevertheless, from the perspective of risk diversification, OJR shall also invest in logistics facilities, retail facilities, hotels and other real estate with the aim of building a diversified portfolio with reduced risk through sector diversification. <u>However, real estate for OJR’s investment, excluding the real estate already owned as of February 29, 2010, shall be real estate principally offered for non-residential use (Note 1). When investing only in either the site of a building, the superficies or the lease rights of the site, the building on the site shall be principally offered for non-residential use.</u></p> <p>It is because each real estate sector <u>has</u> different characteristics as an investment target depending on use, <u>and we believe the sector diversification of investment</u> is most appropriate in order to reduce the risk of a possible future decline in profitability resulting from a</p>	<p style="text-align: center;">Chapter 2 Investment Policy</p> <p>Article 5 Policy on Portfolio Construction</p> <p>In order to minimize the various risks inherent in the portfolio, <u>and to maintain and increase the stability and growth potential of distributions over the medium to long term</u>, OJR shall aim to construct its portfolio by taking full account of the four points listed below. The investment ratio, <u>the amount of investment, the focus of investment in each sector for each geographical area and other factors not provided for in these Regulations shall be determined by the investment policy (to be defined in Appendix 2 (1) (a)) to the extent that it does not contravene the principles of OJR’s Articles of Incorporation (hereinafter “AOI”) or these Management Regulations following a full examination of the current real estate market conditions.</u></p> <p>(1) Sector Diversification</p> <p>OJR shall primarily invest in <u>real estate-related assets for office use (Hereinafter refers to real estate-related assets defined in the AOI. In these Regulations, however, may refer to the real estate underlying the real estate-related asset depending on the context)</u>. Nevertheless, from the perspective of risk diversification, OJR shall also invest in <u>non-office use real estate-related assets, including</u> logistics facilities, retail facilities, <u>residential properties</u> and other real estate with the aim of building a diversified portfolio with reduced risk through sector diversification <u>and maintaining and increasing the stability and growth potential of distributions over the medium to long term.</u></p> <p>It is because <u>we believe the sector diversification of investment into</u> each real estate sector, <u>having</u> different characteristics as an investment target depending on use, is most appropriate in order to reduce the risk of a possible future decline in profitability resulting from a concentration</p>

concentration of investment in a single sector. OJR's investment focus and stance for each investment-target asset sector is as shown in Appendix 3.

As the investment ratio of the office-use real estate (Note 2) under management, OJR aims to allocate approximately 80% or more of its assets of the total acquisition price of the real estate under management owned by the company, as shown in Table 1 in (2) below.

Note 1.

(1) "Real estate principally offered for non-residential use" refers to investment-target real estate that has over 50% of its leaseable area offered for non-residential use at the time of acquisition.

(2) The percentage of area offered for non-residential use shall be judged in the following manners. When the investment target is a single building, OJR shall judge it based on the single building in question. When the investment target is a complex or is composed of multiple buildings, and the real estate comprising multiple buildings has, or is expected to have, an integrated use as a so-called multiple property facility viewed from a social and economic perspective, OJR shall judge it based on the entire real estate comprising the multiple buildings. In this event, OAM's reasonably determined judgment shall form the final criterion.

When the target of investment is a building with subdivided ownership rights, the criterion shall be applied to the leaseable area corresponding to the subdivided ownership in which OJR intends to invest. Notwithstanding, when OJR acquires a number of subdivided ownership rights in the same building simultaneously or in stages, the criterion shall be applied to the leaseable area corresponding to the total number of subdivided ownership rights of the building.

When the investment target is trust beneficiary rights entrusting a number of properties, the criterion shall be applied to the leaseable area relating to the total number of properties.

(3) Even when the criteria in (2) above are not satisfied, or when none of the criteria in (2) above apply, OJR may invest in such real estate if OAM makes a reasonable judgment in view of such factors as the specific form of use and the functional integration of an investment target and considers that the property is substantially equal to or the same as the case in which the target of investment is principally offered for non-residential use.

Note2.

This refers to real estate that OJR owns as well as

of investment in a single sector. However, as the ratio of investment to the total real estate-related assets under management (acquisition price basis) owned by OJR (i.e. real estate-related assets, negotiable securities, property and other assets deemed to be equivalent to real estate-related assets in the calculation of the price and the investment ratio as defined in the AOI), OJR aims to allocate approximately 60% or more to office-use real estate-related assets and approximately 40% or less to non-office use real estate-related assets, as shown in Table 1 in (2) below.

With regard to real estate-related assets offered for multiple uses, judgment of the principal use shall be made in accordance with the criteria listed below.

1) The use of at least 50% of the leaseable area of the entire property at the time of acquisition shall be deemed the principal use. In the event that the real estate-related asset is offered for three or more uses, the use that accounts for the largest area shall be deemed the principal use of that real estate-related asset.

2) When the real estate-related asset is a single building, OJR shall judge it based on such single building. When the real estate-related asset is a complex or is composed of multiple buildings, and the real estate-related asset comprising multiple buildings has, or is expected to have, an integrated use as a so-called multiple property facility viewed from a social and economic perspective, OJR shall judge it based on the entire real estate-related asset comprising the multiple buildings. In this event, OAM's reasonably determined judgment shall be the final criterion.

3) When the real estate-related asset is a building with subdivided ownership rights, the criterion shall be applied to the leaseable area corresponding to such subdivided ownership. In acquiring a number of subdivided ownership rights in the same building simultaneously or in stages, the criterion shall be applied to the leaseable area corresponding to the total number of subdivided ownership rights of the building.

OJR's investment stance in each sector of real estate-related assets is as per Appendix 3.

entrusted assets relating to the real estate trust beneficiary rights that OJR owns.

(2) Geographical Diversification

The advancing globalization and high computerization of corporate activities has accelerated the concentration of “people, goods, money and information” in Tokyo. Against the backdrop of these changes in the economic environment, demand for real estate in the Greater Tokyo area has been stronger than in any other city of Japan. Therefore, OJR shall aim to focus its investment on real estate in the Greater Tokyo area (Note). As a result of price increases in the acquisition of prime properties in central Tokyo due to tendering practices or other factors, however, OJR profitability may be on a declining trend depending on the time. Thus, with a view to raising profitability, OJR shall consider inclusion of investment in prime properties in “Other areas” outside the Greater Tokyo area within certain limits. The investment ratio by area shall be as recorded in Table 1 below. In general, OJR shall aim to invest approximately 80% or more on an acquisition price basis in the Greater Tokyo area.

OJR shall determine the inclusion of investment properties in other areas by making a prudent examination of positioning within the portfolio and the risks and returns.

Note

OJR classifies the geographical locations of asset under management into four geographical areas, which are “3 central Tokyo wards,” “Remaining Tokyo wards”, “Other parts of the Greater Tokyo area”, and “Other areas.” The definition of each area is as summarized in Table 2 below. The Greater Tokyo indicates Tokyo and three prefectures (Kanagawa, Saitama, and Chiba Prefectures).

< Table 1 >

Sector		Geographic area	
		Greater Tokyo area	Other area
Offices	80% or more	80% or more	20% or less
Logistics facilities	20% or less		
Retail facilities			
Hotels			
Other			

Note: Percentages indicate rough percentage.

(2) Geographical Diversification

The advancing globalization and high computerization of corporate activities has accelerated the concentration of “people, goods, money and information” in Tokyo. Against the backdrop of these changes in the economic environment, demand for real estate in the Greater Tokyo area has been stronger than in any other city of Japan. Therefore, OJR shall aim to focus its investment on real estate-related assets in the Greater Tokyo area (Note). As a result of price increases in the acquisition of prime properties in central Tokyo due to tendering practices or other factors, however, OJR profitability may be on a declining trend depending on the time. Thus, with a view to raising profitability, OJR shall consider inclusion of investment in prime properties in “Other areas” outside the Greater Tokyo area within certain limits. The investment ratio by area shall be as recorded in Table 1 below. In general, OJR shall aim to invest approximately 80% or more on an acquisition price basis in the Greater Tokyo area.

OJR shall determine the inclusion of real estate-related assets in other areas by making a prudent examination of positioning within the portfolio and the risks and returns.

Note

OJR classifies the geographical locations of real estate-related asset under management into four geographical areas, which are “6 central Tokyo wards,” “Remaining Tokyo wards”, “Other parts of the Greater Tokyo area,” and “Other areas.” The definition of each area is as summarized in Table 2 below. The Greater Tokyo indicates Tokyo and three prefectures (Kanagawa, Saitama, and Chiba Prefectures).

< Table 1 >

Sector		Geographic area	
		Greater Tokyo area	Other area
Offices	60% or more	80% or more	20% or less
Logistics Facilities	40% or less		
Retail Facilities			
Residential properties			
Other			

Notes:

Percentages indicate rough percentage.

The investment ratio for each area indicates the ratio to the total of real estate investments of all sectors in the area.

The investment ratio for each sector in each area shall be set by the investment policy.

< Table 2 >

Geographic area		Definition
Greater Tokyo area	<u>3</u> central Tokyo wards	Chiyoda, Chuo, and Minato Wards
	Remaining Tokyo wards	Remaining <u>20</u> Tokyo wards
	Other parts of the greater Tokyo area	Areas of Tokyo (excluding 23 wards of Tokyo), Kanagawa Prefecture, Saitama Prefecture, and Chiba Prefecture
Other area		Areas other than those above

(3) Property Size

In order for a certain size of fund to maximize the effects of sector diversification, OJR shall, as a rule, invest primarily in office properties that are medium-sized (Note) or larger, while seeking to reduce the risks of concentration in individual properties. This is because offices in particular are the most important investment target in the entire portfolio, and it is important to avoid the risk of concentration on individual properties in the office sector.

For the present, in its investment in offices in the Greater Tokyo area, OJR shall aim to invest in real estate with an asset scale of at least approximately 5 billion yen from the perspective of management efficiency. With regard to assets for non-office use in the Greater Tokyo area and assets for any use in other areas, OJR may make investment decisions taking into consideration the characteristics of each area as well as a variety of factors including the use, scarcity and location of each asset. In this case, OJR may acquire assets with an asset scale per property of less than 5 billion yen.

Note

Medium-size denotes total floor area of 3,000 to 15,000m² for offices.

(4) Replacement of Assets

1. The return on investment in real estate is determined by the selection of investment targets and the timing of investment. The portfolio changes as it is affected by the economic environment and fluctuations in market conditions. Therefore, OJR aims to acquire, hold and sell properties flexibly in response to changing circumstances.
2. In order to achieve a suitable diversification of investment, OAM shall analyse domestic economic trends and changes in the real estate market and conduct reviews of the operational policy regularly after consideration of whether the current structure of the portfolio is appropriate

< Table 2 >

Geographic area		Definition
Greater Tokyo area	<u>6</u> central Tokyo wards	Chiyoda, Chuo, Minato, <u>Shinjuku, Shibuya and Shinagawa</u> wards
	Remaining Tokyo wards	Remaining <u>17</u> Tokyo wards
	Other parts of the greater Tokyo area	Areas of Tokyo (excluding 23 wards), Kanagawa Prefecture, Saitama Prefecture, and Chiba Prefecture
Other area		Areas other than those above

(3) Property Size

In order for a certain size of portfolio to maximize the effects of sector diversification, OJR shall, as a rule, invest primarily in real estate-related assets, and office properties in particular, that are medium-sized or larger, while seeking to reduce the risks of concentration in individual properties. This is because offices in particular are the most important investment target in the entire portfolio, so it is important to avoid the risk of concentration on individual properties in the office sector. With regard to real estate-related assets for non-office use, OJR may make investment decisions taking into consideration a variety of factors including the characteristics of each sector to make decisions on property size based on the sector.

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(4) Replacement of Assets

1. The return on investment in real estate-related assets is determined by the selection of investment targets and the timing of investment. The portfolio changes as it is affected by the economic environment and fluctuations in market conditions. Therefore, OJR aims to acquire, hold and sell real estate-related assets flexibly in response to changing circumstances.
2. In order to achieve a suitable diversification of investment, OAM shall analyze domestic economic trends and changes in the real estate market and conduct reviews of these Regulations as needed after consideration of whether the current structure of the portfolio is appropriate from a

<p>from a medium to long term perspective.</p> <p>3. (Omitted)</p>	<p>medium to long term perspective.</p> <p>3. (Omitted)</p>
<p style="text-align: center;">Chapter 3 Real Estate Management Policy</p> <p>Article 16 External Management Companies</p> <p>1. (Omitted)</p> <p>2. OJR shall pay OAM the total management fee, which is the sum of i) the management fee to be paid to the principal real estate management company and ii) the external management fee calculated in the calculation method below. OAM shall pay to the external management company the external management fee out of the total management fee received from OJR. The method of calculation for the external management fee varies according to the real estate management subcontract agreement for each <u>property</u> under management. However, in general, the external management fee shall be composed of fees relating to management establishment services, tenant recruitment and contract renewal services, construction management services, sale services, etc. in addition to the basic fee of a maximum of 3% of gross revenue.</p> <p>(Paragraphs No. 3 through No. 5 omitted)</p>	<p style="text-align: center;">Chapter 3 Real Estate Management Policy</p> <p>Article 16 External Management Companies</p> <p>1. (Omitted)</p> <p>2. OJR shall pay OAM the total management fee, which is the sum of i) the management fee to be paid to the principal real estate management company and ii) the external management fee calculated in the calculation method below. OAM shall pay to the external management company the external management fee out of the total management fee received from OJR. The method of calculation for the external management fee varies according to the real estate management subcontract agreement for each <u>real estate-related asset</u> under management. However, in general, the external management fee shall be composed of fees relating to management establishment services, tenant recruitment and contract renewal services, construction management services, sale services, etc., in addition to the basic fee of a maximum of 3% of gross revenue. <u>The management fee for non-office use real estate may be determined independently from the above rates in consideration of entrusted management practice, conditions, etc.</u></p>
<p>Appendix 2 : Procedures Relating to Asset Management and Real Estate Management</p> <p>(1) Formulation of Investment Policy</p> <p>i) <u>Based on OJR's Regulations ("Regulations") and this Regulation for Asset Management and Property Management for OJR,</u> the Investment & Asset Management Department shall plan and draft the investment policy regarding OJR's asset management ("Investment Policy") each half-yearly fiscal period after comprehensive consideration of the content and status of assets under management, economic and monetary conditions, and real estate market conditions and submit it to the Risk Management and Compliance Committee.</p> <p>[New]</p>	<p>Appendix 2 : Procedures Relating to Asset Management and Real Estate Management</p> <p>(1) Formulation of Investment Policy</p> <p>i) The Investment & Asset Management Department shall plan and draft the investment policy regarding OJR's asset management ("Investment Policy") each half-yearly fiscal period after comprehensive consideration of the content and status of real estate-related assets under management, economic and monetary conditions, and real estate market conditions and submit it to the Risk Management and Compliance Committee.</p> <p><u>) The numerical criteria shall be established as the guidelines for investment management for the near future based on a comprehensive consideration concerning the scale of the Japanese market for each sector, the level of the opportunities for property acquisition, the extent of the margin for future internal growth, the investment attitude of investors, the management structure of the management company and the view at the management company on the current real estate market overall. The actual situation, however, may not necessarily conform to the numerical criteria established under the investment policies due to unforeseen changes in the real estate market</u></p>

<p>___) The investment policy drafted by the Investment & Asset Management Department shall be reviewed by the Risk Management and Compliance Committee and determined by the <u>President</u>.</p> <p>(Items No. 2 through 6 omitted)</p>	<p><u>environment, opportunities for property acquisition and property conditions.</u></p> <p>___) The investment policy drafted by the Investment & Asset Management Department shall be reviewed by the Risk Management and Compliance Committee and determined by the <u>Board of Directors</u>.</p>
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Appendix 3 : Investment <u>Focus and</u> Stance for Each Real Estate Sector	Appendix 3 : Investment Stance for Each Real Estate Sector												
<table border="1" style="width: 100%;"> <thead> <tr> <th style="width: 15%;">Sector</th> <th>Investment <u>focus and</u> stance</th> </tr> </thead> <tbody> <tr> <td>Offices</td> <td> <p>(1) There is a relatively homogenous and ample stock of <u>offices</u> and liquidity is high, in comparison to real estate in other sectors. Therefore, offices shall form OJR’s core investment target. However, office demand and supply may greatly be influenced by fluctuations in the economy and other changes in economic trends, so the rate of return can vary substantially. Thus, it is necessary to pursue diversified investment in certain other sectors in order to spread risk.</p> <p>(2) <u>In the procurement method such as tendering, there is a risk that adequate investment return cannot be expected due to possible sharp increases in prices. Therefore, with regard to the procurement method of office, OJR shall consider two-party negotiated transactions as well as acquisitions from within the ORIX Group, to realize a suitable return on investments.</u></p> <p>(3) <u>OJR shall place priority on the office-use real estate with prime locations in busy commercial areas with potential for retail-shop use because a high return on investment can be expected through diversification of use and special tenant needs with a high capacity to pay rent.</u></p> <p>(4) OJR shall place priority on properties with prime locations in <u>central</u> Tokyo where the market is relatively large, but still taking account of market trends, tenants, location, age of the properties, revenue, etc.</p> </td> </tr> <tr> <td>Retail Facilities</td> <td> <ul style="list-style-type: none"> • <u>With regard to retail facilities, OJR’s primary targets for investment shall be those in busy commercial areas of major cities, those versatile complexes located in city suburbs, and those for which it is expected the tenants can change frequently. 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Therefore, with regard to the procurement method of office, OJR shall consider two-party negotiated transactions as well as acquisitions from within the ORIX Group, to realize a suitable return on investments.</u></p> <p>(3) <u>OJR shall place priority on the office-use real estate with prime locations in busy commercial areas with potential for retail-shop use because a high return on investment can be expected through diversification of use and special tenant needs with a high capacity to pay rent.</u></p> <p>(4) OJR shall place priority on properties with prime locations in <u>central</u> Tokyo where the market is relatively large, but still taking account of market trends, tenants, location, age of the properties, revenue, etc.</p>	Retail Facilities	<ul style="list-style-type: none"> • <u>With regard to retail facilities, OJR’s primary targets for investment shall be those in busy commercial areas of major cities, those versatile complexes located in city suburbs, and those for which it is expected the tenants can change frequently. 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	<p><u>constructed for specific uses like large-scale supermarkets, because those buildings may have relatively low potential for changes of tenants or sale.</u></p>		<p><u>into with tenants, ease of finding new tenants, future potentials of the geographic area near by, etc.</u></p>
Hotels	<ul style="list-style-type: none"> With regard to hotels, as a rule, OJR shall <u>only invest in properties for which the risks of hotel management and operation can be avoided through the conclusion of a lease agreement for the building, not an operation contract (management agreement), with the hotel management company, but OJR shall also take into account the reputation of the hotel management company. Investment-target properties shall also be those for which tenants can easily be changed.</u> 	[Deleted]	[Deleted and moved to Other in the table]
Logistics facilities	<ul style="list-style-type: none"> With regard to logistics facilities, as a rule, OJR's standard investment targets shall be highly versatile ordinary-type warehouses. Within these requirements, OJR shall invest in logistics facilities that have relatively outstanding features with regard to <u>the type of contract with tenants, proximity to consumption and production areas, transportation convenience (expressways, main trunk roads, ports, airports and railways, etc.) and convenience for securing workers.</u> 	Logistics facilities	<ul style="list-style-type: none"> With regard to logistics facilities, as a rule, OJR's standard investment targets shall be highly versatile ordinary-type warehouses. Within these requirements, OJR shall invest in logistics facilities that have relatively outstanding features with regard to proximity to consumption and production areas, transportation convenience (expressways, main trunk roads, ports, airports and railways, etc.) and convenience for securing workers <u>after giving consideration to the type of contract with tenants.</u>
[New]	[New]	Residential properties	<ul style="list-style-type: none"> OJR's <u>primary targets for housing investment shall primarily be houses for rent offered to large populations with medium-sized income, to be determined in consideration of the location, building grade, rent level, etc.</u>
Other	<p>[New]</p> <ul style="list-style-type: none"> OJR may invest in other-sector real estate principally offered for non-residential use <u>(excluding real estate already owned as of February 29, 2010), when it recognizes the investment eligibility in consideration of overall investment circumstances including real estate market trends and diversification</u> 	Other	<ul style="list-style-type: none"> With regard to hotels, as a rule, OJR shall <u>only invest in properties for which the risks of hotel management and operation can be avoided through the conclusion of a lease agreement for the building, not an operation contract (management agreement), with the hotel management company, but OJR shall also take into account the reputation of the hotel management company. Investment-target properties shall also be those for which tenants can easily be changed.</u> OJR may invest in other-sector real estate principally offered for non-residential use, when it recognizes the investment eligibility in consideration of overall investment circumstances including real estate market trends and diversification policies. This is OJR's basic investment approach

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Note

The list of real estate for various sectors is made in the order of offices, logistic facilities, retail facilities, housing, and other. For easier comparison of the former and revised Regulations for Asset Management and Property Management, the sectors are listed in the order used in the former list.