

1st

ORIX JREIT Inc.

ORIX JREIT REPORT 1st Period



FROM:10 September 2001 TO:31 August 2002

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To Our Unitholders

It is our pleasure to provide you with the first issue of ORIX JREIT Financial Report.

ORIX JREIT (OJR) was listed on the Tokyo Stock Exchange in June 2002 as the fourth Japan Real Estate Investment Trust, often referred as JREIT. Our fund is the first JREIT with a diversified investment mandate and our portfolio currently includes quality office, residential, hotel and other properties, aiming to provide stability of cash flows and asset growth over the medium to long term.



(right) Komao Hirose, Executive Director of ORIX JREIT Inc.
(left) Hiroshi Ichikawa, CEO & President of ORIX Asset Management Corporation

We were pleased to announce that our first period results were stronger than initially projected. For the first fiscal period, our operating income was ¥6.7 billion and net income was ¥2.7 billion. Distribution per unit, ¥22,472, exceeded the amount we publicly forecasted in May 2002 of ¥21,957 by 2%. Our portfolio occupancy was constantly over 90% throughout the period.

The Japanese macro economy, as well as so-called, "Year 2003 Issue" for the office market continues to present us with a challenging business environment. Our investment objective remains to provide relatively stable investment returns to our unitholders. We are confident that our expertise in finance and real estate investment management, and future acquisitions of quality assets will contribute to enhancing the efficient operation of our portfolio and to meeting this challenge.

We truly appreciate your ongoing support and we look forward to the forthcoming successful periods.

Handwritten signature of Hiroshi Ichikawa in black ink.

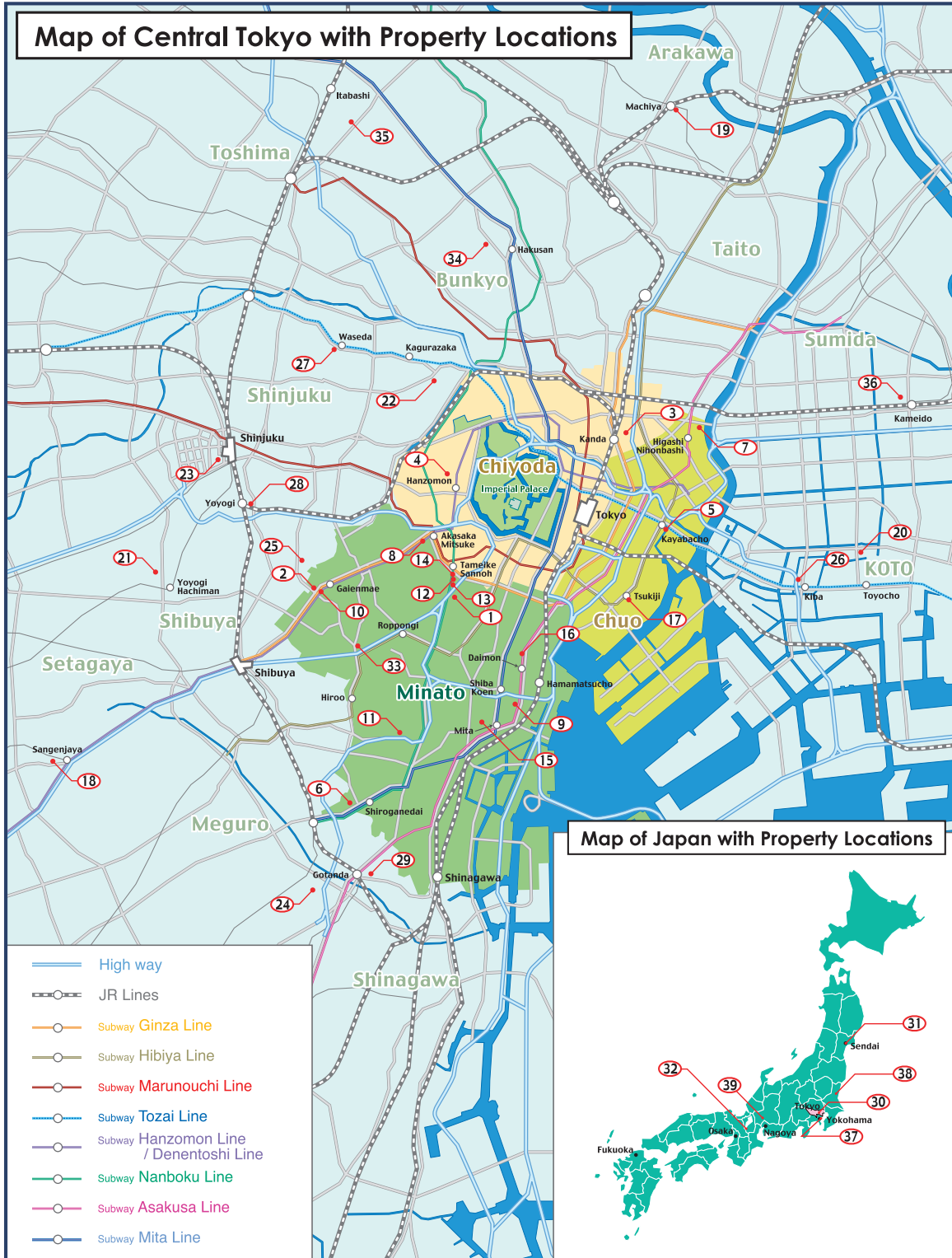
Hiroshi Ichikawa
ORIX Asset Management
CEO & President

Handwritten signature of Komao Hirose in black ink.

Komao Hirose
ORIX JREIT Inc.
Executive Director

Business Highlights

- In September 2001, ORIX JREIT Inc. was established and registered in accordance with the Law Concerning Investment Trusts and Investment Corporations of Japan, or Investment Trust Law.
- Between December 2001 and January 2002, 40 properties were acquired in preparation for the initial public offering of the fund. The portfolio is composed of 33 office, 3 residential and 4 other properties (including a hotel), total acquisition value of which amounted to ¥99.6 billion.
- In June 2002, Our initial global public offering of 98,700 units was completed.
- Sunny Building was acquired in September 2002. The property is a mid-sized, quality office building in Shinjuku-ku, Tokyo, with an acquisition value of ¥5.3 billion.
- In Winter 2002, we consolidated property management companies for the fund to improve leasing capability and cost efficiency of our property management.



Overview of Portfolio Properties

- | | | | |
|-------------------------------|-------------------------|--------------------------------|---------------------------------|
| 1. Akasaka Kyowa | 11. Landic Minami Azabu | 21. Nikko Moto Yoyogi | 31. OX Bashi no Tsuji |
| 2. Aoyama Suncrest | 12. Landic Akasaka | 22. Nikko Kagurazaka | 32. OX Otsu |
| 3. Ascend Kanda | 13. Landic Akasaka 2 | 23. Round-Cross Nishi Shinjuku | 33. Park Axis Nishi Azabu Stage |
| 4. Nikko Ichi-bancho | 14. Landic Akasaka 3 | 24. DaVinci Gotanda | 34. Grand Maison Hakusan |
| 5. VX Kayabacho | 15. Landic Mita 2 | 25. DT Gaien | 35. Sonet Kami Ikebukuro |
| 6. DaVinci Shiroganedai | 16. Shiba Daimon | 26. DaVinci Kiba | 36. OX Kameido |
| 7. DaVinci Higashi Nihonbashi | 17. Landic Nagai | 27. DaVinci Waseda | 37. Cross Gate |
| 8. DaVinci Akasaka Mitsuke | 18. Carrot Tower | 28. DaVinci Yoyogi | 38. OX Mito |
| 9. DaVinci Shiba 2 | 19. Center Machiya | 29. Landic Gotanda | 39. OX Gifu |
| 10. DaVinci Aoyama | 20. Toyo MK | 30. Neo City Mitaka | |

OFFICE



1. Akasaka Kyowa



2. Aoyama Suncrest



3. Ascend Kanda



4. Nikko Ichi-bancho



5. VX Kayabacho



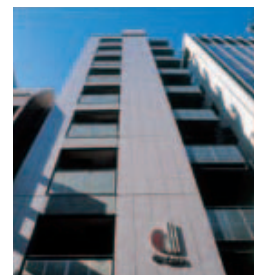
6. DaVinci Shiroganedai



7. DaVinci Higashi Nihonbashi



8. DaVinci Akasaka Mitsuke



9. DaVinci Shiba 2

OFFICE



10. DaVinci Aoyama



11. Landic Minami Azabu



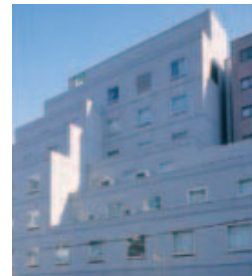
12. Landic Akasaka



13. Landic Akasaka 2



14. Landic Akasaka 3



15. Landic Mita 2



16. Shiba Daimon



17. Landic Nagai



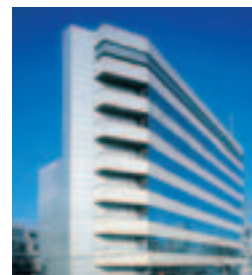
18. Carrot Tower



19. Center Machiya



20. Toyo MK



21. Nikko Moto Yoyogi

OFFICE



22. Nikko Kagurazaka



23. Round-Cross Nishi Shinjuku



24. DaVinci Gotanda



25. DT Gaien



26. DaVinci Kiba



27. DaVinci Waseda



28. DaVinci Yoyogi



29. Landic Gotanda



30. Neo City Mitaka



31. OX Basho no Tsuji



32. OX Otsu

RESIDENTIAL



33. Park Axis Nishi Azabu Stage



34. Grand Maison Hakusan



35. Sonet Kami Ikebukuro

OTHERS



36. OX Kameido



37. Cross Gate



38. OX Mito



39. OX Gifu

New Acquisition

On 30 September 2002, OJR acquired the Sunny Building for ¥5.3 billion from CSK Corporation. The building is located adjacent to the west of the Shinjuku railway station, the largest transportation hub in Tokyo.

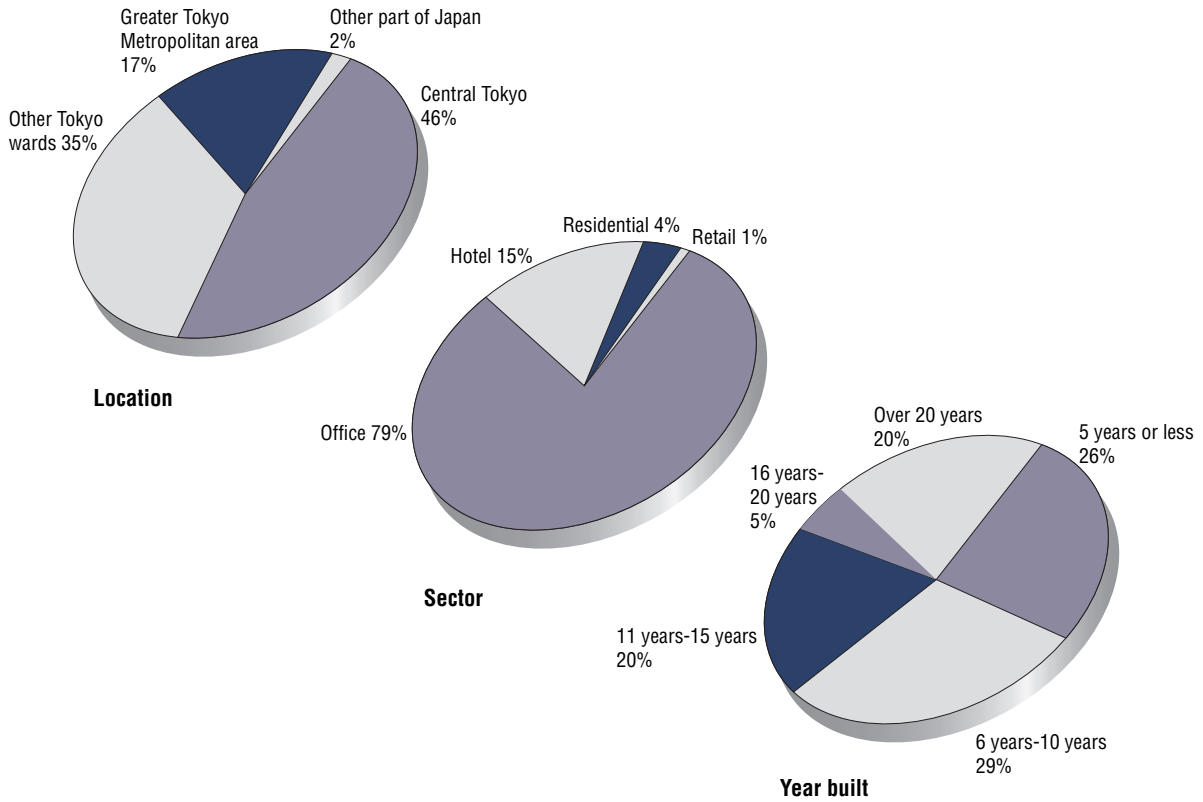


The Sunny Building

Sector:	Office
Location:	11-1, Nishi Shinjuku 7-chome, Shinjuku-ku, Tokyo
Year built:	September 1995
% owned:	100
Stories:	10 stories & 2 basements
Land area:	911.54 m ²
Gross building area:	7316.40 m ²
Retable area:	4635.55 m ²
Occupancy rate:	92.2%
Appraisal value:	¥5,465 million (as of September 30, 2002)

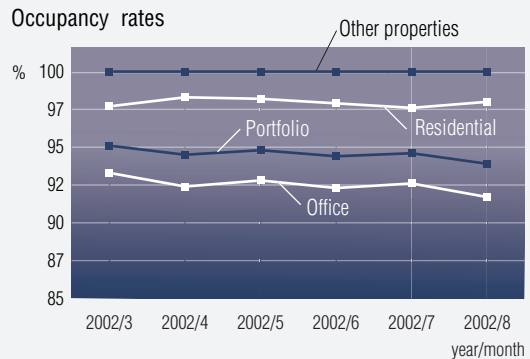
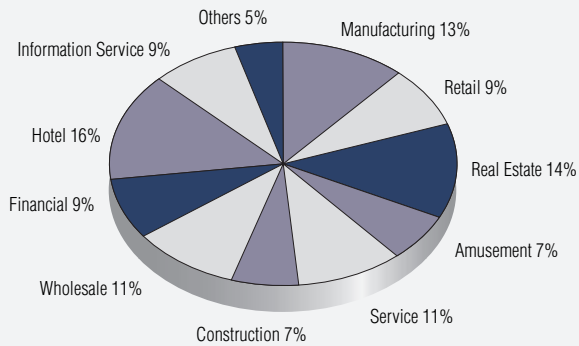
*OJR contracted with CSK for a 3-year fixed term lease for 4,272.24 m² out of the total rentable area of 4,635.55 m² at ¥26,000/tsubo/month including CAM.

The following charts indicate allocations of our portfolio, based on acquisition costs.



Tenants

As of 31 August 2002, 39 properties were leased to 243 tenants, had an aggregate average occupancy rate of 93.9%.



■ **Basic Investment Strategies**

Macro market analysis

Property level analysis

Portfolio composition considerations

Leveraging off the strength of ORIX Asset Management

■ **Portfolio Management Strategies**

Diversification

Tokyo-centric portfolio strategy

Emphasis on medium-sized assets

■ **Distribution Policy**

■ **Other Policies**

Leverage policy

Cash management policy

Policies in relation to the Special Taxation Measures Law of Japan

Related-party transactions policy

Risk management

■ Basic Investment Strategies

Our objective is to deliver steady returns to investors by providing secure and stable distributions at moderate levels of risks and by seeking to increase cash flow per unit in the medium to long term. We seek to maintain and expand as appropriate and necessary to achieve our objectives, a portfolio of properties diversified by property type and, to a lesser extent, by geographic area.

We do not limit our potential investments to any single real estate sector. Therefore, our portfolio could be diversified across a number of property sectors. Our current portfolio is concentrated on office properties located in Central Tokyo (Minato-ku, Chiyoda-ku, Chuo-ku) and Other Tokyo Wards. The composition of our portfolio may change over time in line with our investment strategies reflecting market circumstances. We intend to selectively pursue investment opportunities that meet our investment criteria.

Since our incorporation, we have focused on aggregating a portfolio that is expected to produce relatively stable cash flows. This will continue to be a central focus as we continue to selectively grow our fund. We will continue to pursue acquisition opportunities that meet our investment criteria, regardless of real estate type. We seek value where we believe the real estate is under-priced, either where our financial analysis indicates it is fundamentally inexpensive, or where we see the ability to add value through active property management. The implementation of this strategy can be broadly categorized into four areas:

- macro market analysis,
- property level analysis,
- portfolio composition considerations, and
- leveraging off the strength of ORIX Asset Management.

Macro market analysis

We will analyze macro trends in the Japanese economy and real estate market, including supply and demand trends, with an aim of identifying investments that meets our investment objectives and criteria. This includes analyzing and pursuing investment opportunities in office, residential and other properties, including hotels and retail facilities, in light of current market conditions.

The Japanese economy is currently undergoing significant structural changes and certain efforts by Japanese companies, such as an increased focus on core businesses and efforts to improve their balance sheets, may result in a greater number of property owners seeking to sell real estate. These properties frequently have not been well managed or have been managed without focusing on generating returns from the property or both. We believe that these are positives for the investment approach of combining financial analysis with real estate expertise.

Property level analysis

We will selectively pursue opportunities to acquire properties that are currently generating income. In evaluating investment opportunities, the main focus is on expected return on investment through analysis of cash flow over the medium-term (roughly five to ten years). The following is illustrative of the factors that we investigate before making any investment decisions:

- *Location.* Local market supply-demand conditions are vital in a large and diverse market such as Central Tokyo and Other Tokyo Wards office market. Also, convenient access to public transportation or major roads is often considered critical to property values in Japan. ORIX Asset Management examines these and other

factors and estimates the future trend to assess the impact on property values.

- *Property specifications.* We examine specifications such as compliance with building and zoning codes, size and age of building, air conditioning system, IT features and security. The potential to add value through selective capital expenditure is also assessed.
- *Tenancy characteristics.* Among other things, we examine tenants' credit quality, delinquency of rent payment, business type, any legal impact from the existing lease contract, possible conflicts between landlord and tenant and occupancy rates and rent levels of the properties.
- *Engineering, environmental, and seismic review.* We review reports submitted by engineering experts that cover such matters as building deterioration, maintenance, repairs and capital expenditure requirements, environmental matters, earthquake resistance, and compliance with building regulations.
- *Other factors.* In addition, we examine the ownership structure of the property, whether the owner has maintained the property in compliance with all relevant regulations and laws and the financial and business status of the previous owner.

Portfolio composition considerations

As of the end of the first fiscal period, we hold a diversified property portfolio with over 250 tenants in our 40 office, residential, hotel and retail properties. We will continuously monitor our portfolio seeking to selectively add properties that we anticipate will meet our objectives. We may consider selling properties when we determine that the disposition would generate better returns to unitholders over the medium term. Other than Fujita Kanko Co., Ltd., which operates the Washington Hotel in Cross Gate and accounts for 14.4% of our total rentable space, no tenant accounts for more than 10% of our total rentable space.

The acquisition process examines the impact of potential acquisitions on the overall portfolio and on the sector and geographic allocation. Potential acquisitions are also evaluated so as to be accretive to unitholder value, including an assessment of our cost of capital.

The diversified property portfolio approach also optimizes access to deal flow. This is because it enables us to acquire a wide variety of properties including properties acquired in portfolio sales.

Leveraging off the strength of ORIX Asset Management

We believe that ORIX Asset Management is well placed to successfully execute the above strategy for the following reasons:

- ORIX Asset Management has a fully resourced team of dedicated real estate and financial professionals covering investment analysis, portfolio management and acquisitions. In addition, as part of the ORIX Group, ORIX Asset Management is able to utilize ORIX Group's extensive resources and expertise.
- ORIX Asset Management has access to opportunities to acquire and dispose of properties as well as opportunities to meet new tenants from a combination of its own profile and the prominence of the ORIX brand name.

These features mean that ORIX Asset Management is positioned to identify and acquire properties on acceptable terms and to add additional value to properties through effective management strategies.

■ Portfolio Management Strategies

Active and strategic management of the portfolio is the key to secure stable cash flow streams and asset growth in our investment. We focus on the following four points for our portfolio management strategy.

Diversification

Our investment approach is not limited to one specific sector. Rather, we seek attractive investment opportunities in various property types to the extent that such investment opportunities generate returns while the risks involved are well controlled. As of 31 August 2002, our portfolio is invested in office (79%), hotel (15%), residential (4%), and other properties (1%).

Tokyo-centric portfolio strategy

Our properties are substantially concentrated in the Tokyo Metropolitan area. As we have seen in recent years, structural changes in Japanese economy have facilitated the centralization of business activities in the Tokyo Metropolitan area. Despite some short-term concerns, such as the "Year 2003 Issue," the Tokyo real estate market has remained attractive compared to other markets in Japan. As such, we intend to maintain our primary focus on the Tokyo metropolitan area. We will, however, also seek opportunities in other parts of Japan, provided that such opportunities meet our risk-return profile.

Emphasis on medium-sized assets

Currently, the office properties in our portfolio are mostly small to medium-sized quality buildings. We selected such properties mostly because of the liquidity in the market, diversified tenant base, and relatively limited impacts from the so-called the "Year 2003 Issue".

■ Distribution Policy

In order to maintain our tax transparency, we must distribute more than 90% of our taxable income, as defined in the Special Taxation Measures Law of Japan. We expect to distribute approximately 100% of our taxable income at the end of each fiscal period. This, however, is not an indication that we guarantee any level of distributions or the payment of any distributions at all. In addition, our distributions will be subject to the JREIT rules of the Investment Trusts Association.

Although a JREIT is allowed to distribute cash to unitholders in excess of accounting profits, the Investment Trusts Association has established rules such that corporate-style JREITs may pay out in excess of accounting profits only up to 60% of depreciation. Therefore, we do not intend to make distributions in excess of accounting profits before the future implementation of the Japanese tax reform measures, which may address this issue for individual investors in Japan.

■ Other Policies

In addition to our investment strategies that we discussed in the previous section, we have adopted the following internal policies to efficiently and effectively manage our portfolio.

Leverage policy

As prescribed in our articles of incorporation, we may raise up to an aggregate of ¥1 trillion through loans from financial institutions and/or the issue of bonds. In addition, under the Special Taxation Measures Law of Japan, any loans to the fund must be provided by qualified institutional investors, as defined in the Securities and Exchange Law of Japan, in order for us to be able to deduct our distributions paid to unitholders from our taxable income.

We seek to determine optimal financing methods through careful examination of the capital market and interest rate environments, financial structures available, and the impact on existing unitholders of new financing. In undertaking property acquisitions, this may be supplemented by short-term borrowings, some of which may be under credit facilities established to meet any funding needs that may arise with short notice. We currently use, and may continue to use, all or part of our assets as collateral to obtain favorable lending terms. We may invest in derivatives to hedge against risks.

Our total borrowings plus the security deposits from our tenants (less cash) may not exceed 70% of our total assets (less cash) unless we acquire certain large scale properties, in which case the liabilities incurred in relation to such purchases may reach or exceed this borrowing ratio limit.

Cash management policy

We manage our cash for working capital requirements, including maintaining sufficient cash and cash equivalents and lines of credit to acquire new properties. We may invest a certain portion of our cash in assets, in which protection of the principal amount is a core consideration.

Policies in relation to the Special Taxation Measures Law of Japan

We intend to manage our assets in order to obtain the benefits of reduced property registration and acquisition taxes and deductibility of distributions, which are available to JREITs that satisfy the requirements provided under the Special Taxation Measures Law. In addition, our overseas unitholders may be subject to lowered withholding tax on dividend and capital gains depending on whether there is an applicable tax treaty. In order to take advantage of these benefits, we intend to comply with all applicable laws and regulations.

Related-party transactions policy

For the purposes of the internal guidelines of ORIX Asset Management, “related parties” include ORIX Corporation and its subsidiaries and affiliates and special purpose companies substantially influenced by such companies. The internal guidelines of ORIX Asset Management require certain procedures to be taken in relation to related-party transactions, including the disclosure of certain related-party transactions to the Tokyo Stock Exchange, either promptly as they occur or as part of our regular corporate communications.

Any of our transactions with related parties require the prior approval of the compliance committee of ORIX Asset Management. In addition, any related-party transactions require prior approval by OJR’s board of directors, which requires a majority of our independent directors, except where fees or commissions involved were less than ¥1 million.

Risk management

ORIX Asset Management is primarily responsible for the management of various risks associated with the fund. ORIX Asset Management has implemented the following internal regulations and intends to follow such regulations for risk management:

- *Management of assets and properties:* applicable to any investments in properties, management of composition of our properties, and each property in line with an internal investment policy of diversification.
- *Related-party transactions:* applicable to transactions with related parties and setting out procedures for internal approvals and disclosure of such transactions.
- *Insider trading:* prohibition of insider trading of our units by our executive and supervisory directors, board members, officers, and employees of ORIX Asset Management.

In addition, ORIX Asset Management has established an asset management committee, a finance committee, a property management committee and a compliance committee, which are supervised by its president, with the following functions:

- *Asset management committee:* reviews results of asset management (including the investment ratio of each property, regions, and purpose of use and contribution by major tenants) on a quarterly basis.
- *Finance committee:* reviews financial conditions, mainly borrowings and debt-asset ratios on a quarterly basis.
- *Property management committee:* reviews results of property management on a monthly basis.
- *Compliance committee:* reviews our internal operating procedures and any related-party transactions to ensure they are in compliance with applicable laws and regulations.

ORIX Asset Management has also established a policy in respect of a level of approval required for transactions corresponding to materiality. The compliance manager of ORIX Asset Management reports directly to its president and is responsible for convening meetings of its compliance committee on a quarterly basis. The compliance committee is comprised of the president, the head of each department and the compliance manager.

Performance Information Report

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- 1. Financial Highlights**
- 2. Performance Review for the Current Period**

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- 2. Major Unitholders**
- 3. Unitholder Type**

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- 2. Selected Property Data**
- 3. Selected Financial Data by Property**
- 4. Major Tenants**

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- 1. Repair Plans**
- 2. Capital Expenditures**
- 3. Cash Reserve for Capital Improvements**

■ Administrative Expenses

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- 1. Trading of Real Estate and Real Estate held in Trust**
- 2. Trading of Other Assets Including Total Amount and Transactions**
- 3. Related Parties Transactions**

■ Investment Performance Overview

1. Financial Highlights

1st Period From: 10 September 2001
To: 31 August 2002

(In millions of yen, except otherwise indicated)

Operating revenues		6,718
Revenues from property leasing		6,718
Operating expenses		3,194
Rental expenses		2,773
Operating income		3,524
Income before income taxes		2,774
Net income	(a)	2,772
Total assets	(b)	116,040
Net assets	(c)	64,472
Contribution capital		61,700
Total number of common units issued (units)	(d)	123,372
Net assets per unit (Yen)	(c) / (d)	522,586
Total cash distribution	(e)	2,772
Distribution per unit (Yen)	(e) / (d)	22,472
Distribution of net income per unit (Yen)		22,472
Distribution in excess of net income per unit (Yen)		(-)
Return of total assets (%) ⁽²⁾		2.4 (3.4)
ROE (%) ⁽²⁾		4.3 (6.1)
Equity ratio (%)	(c) / (b)	55.6
Payout ratio (%)	(e) / (a)	99.9
<i>Supplemental Information</i>		
Number of investment properties ⁽³⁾		39
Number of tenants		243
Total rentable area (m ²)		142,360.85
Occupancy rate (%) ⁽³⁾		93.9
Depreciation		1,015
Capital expenditure		42
NOI from property leasing activity ⁽²⁾		4,960

Notes:

- Operating revenues do not include consumption taxes.
- These ratios are calculated according to the following formulas. For the first fiscal year, the figures in parentheses represent the adjusted values divided by 8.4 months, the effective operating days in the period.
Return on Assets = Income before income taxes / Period-end Total Assets
ROE = Net Income / Period-end Net Assets
Net Operating Income = Rental Revenues - Rental Expenses + Depreciation
- As of the end of the first fiscal period, we own the entire or partial interests in 39 properties in our portfolio. The occupancy rate is the proportion of rental space to the total rentable space at year-end.
- The payout ratio is rounded down to one decimal place.

2. Performance Review for the Current Period

Major changes in the fund

OJR was established on 10 September 2001 under the Law Concerning Investment Trust and Investment Corporation of Japan, or the Investment Trust Law, with the initial paid-in capital of ¥200 million from ORIX Corporation. OJR was registered with the Kanto Local Finance Bureau on 11 October 2001. On 1 December 2001, OJR acquired the first group of properties for ¥40.4 billion and began its fund management operations. OJR purchased the second group of properties for ¥19.9 billion on 21 December 2001. It acquired the third group of property for ¥39.4 billion on 10 January 2002.

To fund the acquisitions of the investment properties, OJR used short-term borrowings of ¥105 billion from ORIX Corporation. OJR also allotted additional units of ¥61.5 billion to ORIX Corporation on 13 March 2002, and borrowed a total of ¥43 billion from Sumitomo Trust & Banking Co., Ltd. and other financial institutions on 20 March 2002, establishing pledges against all the properties in the portfolio, and repaid the short-term borrowings from ORIX Corporation.

On 22 April 2002, OJR conducted 1 for 2.98 unit split, which increased the total number of outstanding units to 123,372 (which were owned by ORIX Corporation). On 12 June 2002, OJR sold 98,700 outstanding units to the public (78,960 units in the domestic market and 19,740 units in foreign markets) and was listed on the Tokyo Stock Exchange (TSE) REIT Section (TSE Code: 8954).

Business environment and fund performance

The Japanese economy remains weak and the business environment in the real estate market remains challenging. According to the “Recent Land Price Trends Seen in Prefectural Land Price Surveys in 2002” report released by the Ministry of Land, Infrastructure and Transport on 20 September 2002:

1. Land prices, both in residential and commercial areas, declined more steeply during the 12 months from July 2001, compared to the previous 12 months.
2. For major city areas, land prices in residential areas declined more sharply than in the previous year. However, in commercial areas, land prices remained nearly unchanged, partly due to the slowing of land price decline in the Tokyo and Osaka metropolitan areas.
3. Land prices still heavily depend on a property’s individual attributes, such as location, convenience, and profitability.

Under this difficult business environment, our focus has been on maintaining the cash-flow stability of our portfolio through active property management and the maintenance of a relatively high occupancy rate.

Our property management team, which is composed of 10 professionals, works in tandem with third party property managers to oversee the day-to-day operations of our properties and to maintain close relationship with our tenants. Maintaining close relationships with our tenants is critical for us to fully understand and meet our tenants' needs and, as a result, to maintain a high occupancy rate of our portfolio.

Throughout the first fiscal period, our portfolio occupancy rate has constantly exceeded 90% and, as of 31 August 2002, the portfolio occupancy rate was 93.9%.

In order to enhance the cost efficiency of our property management, we have reviewed our property management arrangement with third party property managers with respect to 31 of 39 office buildings in our portfolio. As a result, we were able to launch a new property management structure in August 2002, and we expect to reduce the property management cost by 14% on an annualized basis from the second period.

Financing activities

For the first fiscal period, we have ¥43 billion in long-term borrowing from Sumitomo Trust & Banking Co., Ltd. and other financial institutions, and all of our properties are pledged against the borrowing.

Financial results and distribution

As a result of the above management activities, OJR recorded operating revenues of ¥6,718 million, operating income of ¥3,524 million, income before income taxes of ¥2,774 million (interests paid and TSE listing expenses deducted), and net income of ¥2,772 million.

The distribution per unit was ¥22,472, almost equal to the unappropriated profit per unit (fractions omitted), so that the distribution in cash can be tax-deductible under Article 67-15 of the Special Taxation Measures Law.

■ **Fund Overview**

1. Capitalization

Paid-in capital

Since the establishment of the fund, the changes in the number of investment units outstanding and the total amount of paid-in capital are as follows:

Date	Remarks	Investment Units Outstanding		Paid-in Capital (In millions of yen)	
		Increase	Balance	Increase	Balance
10 September 2001	Private Placement ⁽¹⁾	400	400	200	200
13 March 2002	Additional Issuance of Units ⁽²⁾	41,000	41,400	61,500	61,700
22 April 2002	Unit Split ⁽³⁾	81,972	123,372	-	61,700

Notes:

1. ORIX Corporation paid the initial capital of ¥ 200 million and received 400 units at ¥500,000 per unit.
2. Issuance of 41,000 additional units to ORIX Corporation at ¥1,500,000 per unit.
3. 1 for 2.98 split.

Market price of OJR units

OJR's investment units are traded on the TSE JREIT section. The high and low closing prices per unit for the first fiscal period are shown below:

From 12 June 2002 to 31 August 2002	
High	518,000
Low	494,000

Overview of borrowings

(In millions of yen)

Category	Lender	Balance at year end	Average interest rate	Due on	Use of funds	Repayment method	Note
			(%) 1				
Long-term debt (Term loan 1)	The Sumitomo Trust & Banking	Floating rate	Floating rate 0.69500% 2	March 20, 2007 4 5	3	Bullet payment 4 5	Secured, Non-guaranteed, Pari passue
		6,250					
		Fixed rate					
	6,250						
	(Subtotal)						
	12,500						
	The Mitsubishi Trust & Banking	Floating rate					
		1,500					
		Fixed rate					
	1,500						
	(Subtotal)						
	3,000						
	The Chuo Mitsui Trust & Banking	Floating rate					
		4,000					
		Fixed rate					
4,000							
(Subtotal)							
8,000							
The Norinchukin Bank	Floating rate	Fixed rate 1.34146% 2					
	2,500						
	Fixed rate						
2,500							
(Subtotal)							
5,000							
Tokio Marine & Fire Insurance	Floating rate						
	2,500						
	Fixed rate						
2,500							
(Subtotal)							
5,000							
SOMPO JAPAN INSURANCE INC. 6	Floating rate						
	750						
	Fixed rate						
750							
(Subtotal)							
1,500							
Total	Floating rate						
	17,500						
	Fixed rate						
17,500							
(Subtotal)							
35,000							
Long-term debt (Term loan 2)	The Sumitomo Trust & Banking	Floating rate	Floating rate 1.02500% 2	March 20, 2007 4 5	3	Bullet payment 4 5	Secured, Non-guaranteed, Pari passue
		3,500					
	The Mitsubishi Trust & Banking	Floating rate					
		1,000					
The Chuo Mitsui Trust & Banking	Floating rate						
	3,500						
Total		8,000					
Grand total		43,000					

Notes:

1. The average interest rate is the weighted-average annual interest rate at year-end.
2. Conditions of long-term debt (Term loans 1 and 2), including interests and repayment deadlines, are the same for each lender.
3. All debt was used to purchase real estate and real estate held in trust, or to refinance other debt.
4. Maturity dates are followed by two years of tail period, during which the interest rates applied to the remaining balance of the borrowings will increase by 20%.

5. The table below shows the total amounts of long-term debt to be repaid for each year in the next five years:

(In millions of yen)					
	Due within one year	Due after one year to two years	Due after two years to three years	Due after three years to four years	Due after four years to five years
Long-term debt	-	-	-	-	43,000

6. Yasuda Fire & Marine Insurance Co., Ltd., the original lender, merged with Nissan Fire & Marine Insurance Co., Ltd., to become SOMPO JAPAN INSURANCE INC. as of 1 July 2002.

Detail regarding contributed capital and additional paid-in capital

(In millions of yen)				
Category	Balance at the beginning of year	Increase	Decrease	Balance at the end of year
Initial capital	-	200	-	200
Additional paid-in capital	-	61,500	-	61,500
Total	-	61,700	-	61,700

Of the increase during the first fiscal period, ¥200 million is the paid-in capital at OJR establishment. The remaining amount is the paid-in capital at the additional unit issue during the period.

2. Major Unitholders

Major unitholders as of 31 August 2002 were as follows:

Name	Address	Number of Units Owned	Ownership (%)
ORIX Corporation ⁽¹⁾	4 - 1, Hamamatsucho 2-chome, Minato-ku, Tokyo	24,723	20.03
Chase Bank Ireland plc Dublin (Standing Proxy: Mizuho Corporate Bank, Ltd.)	WOOLGATEHOUSE.COLEMAN STREET LONDON EC2P 2HD ENGLAND (6-7, Kabutocho, Chuo-ku, Tokyo)	3,033	2.45
Goldman Sachs International (Standing Proxy: Goldman Sachs (Japan) Ltd.)	133 FLEET STREET LONDON EC4A 2BB U.K. (Ark Mori Bldg. 12-32, Akasaka 1-chome, Minato-ku, Tokyo)	2,166	1.75
CitiBank London/ Scottish Equitable (Standing Proxy : Citibank, N.A.)	EDINBURGH PARK, EDINBURGH EH12 9SE, SCOTLAND U.K. (3-14, Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo)	1,833	1.48
Asahi Marine and Insurance Co., Ltd.	6-2, Kajicho 2-chome, Chiyoda-ku, Tokyo	1,793	1.45
State Street Bank and Trust Company 505041 (Standing Proxy : Mizuho Corporate Bank, Ltd.)	12 NICHOLAS LANE LONDON EC4A 7BN U.K. (6-7, Kabutocho, Chuo-ku, Tokyo)	1,483	1.20
GAM Institute Dune (Standing Proxy : The Bank of Tokyo- Mitsubishi, Ltd.)	P.O.BOX2992 RIYADH 11169 SAUDI ARABIA (7-11, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	1,369	1.10
Morgan Stanley and Company International Limited (Standing Proxy : Morgan Stanley Japan Limited)	25 CABOT SQUARE, CANARYWHARF, LONDON E14 4QA ENGLAND (20-3, Ebisu 4-chome, Shibuya-ku, Tokyo)	1,349	1.09
The Bank of Bermuda Hong Kong Branch/GAM pooled account (Standing Proxy : HSBC Tokyo Branch)	39/ F EDINBURGH TOWER THE LANDMARK 15 QUEEN'S ROAD CENTRAL HONG KONG (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,288	1.04
Boston Safe Deposit/ ABN AMRO Global Custody (Standing Proxy : The Bank of Tokyo- Mitsubishi, Ltd.)	31 SAINT JAMES AVENUE, BOSTON MASS 02116 U.S.A. (7-11, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	1,273	1.03
Total		40,310	32.67

Note:

1. ORIX Corporation agreed to hold their allocated units for 360 days following the completion of the IPO.

3. Unitholder Type

Unitholder type	As of 31 August 2002			
	Number of Unitholders	%	Number of Units	%
Domestic	26,261	99.8%	100,031	81.1%
Individuals	25,776	97.9%	55,755	45.2%
Financial Institutions	44	0.2%	9,394	7.6%
Bank	8	0.0%	3,146	2.6%
Trust Bank	6	0.0%	451	0.4%
Life Insurance	0	0.0%	0	0.0%
Fire and Marine Insurance	3	0.0%	2,776	2.3%
Other Financial	24	0.1%	2,462	2.0%
Securities Brokers	3	0.0%	559	0.5%
Other Corporate	441	1.7%	34,882	28.3%
Overseas	57	0.2%	23,341	18.9%
Total	26,318	100.0%	123,372	100.0%

■ **Portfolio Outline**

1. Portfolio Summary

(As of 31 August 2002)

Asset Type	Area / Type		Amount ⁽¹⁾ (In millions of yen)	Percentage of total assets (%)
Real Estate	Tokyo Central 3 Wards (Minato-ku, Chiyoda-ku, Chuo-ku)	Office	45,396	39.12
		Residential	1,236	1.07
		Other	0	0
	Other Tokyo Wards	Office	31,664	27.29
		Residential	2,880	2.48
		Other	447	0.39
	Greater Tokyo	Office	2,240	1.93
		Residential	0	0
		Other	15,167	13.07
	Other Cities	Office	1,100	0.95
		Residential	0	0
		Other	1,054	0.91
Deposits and Other Assets			14,852	12.80
Total Assets			116,040	100.00

Note:

1. Property values are the book values as of the end of August 2002, which subtract the accumulated depreciation for the first fiscal period.

2. Selected Property Data

The outline of the properties in our portfolio as of 31 August 2002 is as follows:

	Area	Name of Building	Total Rentable Area (m ²)	Appraisal Value ⁽¹⁾ (In millions of yen)	Percentage of total appraisal value (%)	Book Value (In millions of yen)	Percentage of total assets ⁽²⁾ (%)	
Office	Tokyo Central 3 Wards	Akasaka Kyowa	3,382.28	1,969	1.99	2,123	1.83	
		Aoyama Suncrest	2,809.33	3,380	3.42	3,405	2.93	
		Ascend Kanda	826.50	671	0.68	692	0.60	
		Nikko Ichi-bancho	3,300.66	3,754	3.08	3,929	3.39	
		VX Kayabacho	1,489.75	886	0.90	911	0.79	
		DaVinci Shiroganedai	2,088.76	1,212	1.23	1,319	1.14	
		DaVinci Higashi Nihonbashi	2,275.05	1,739	1.76	1,757	1.51	
		DaVinci Akasaka Mitsuke	1,323.25	1,719	1.74	1,687	1.45	
		DaVinci Shiba 2	1,171.33	740	0.75	725	0.62	
		DaVinci Aoyama	3,387.41	4,807	4.87	4,614	3.98	
		Landic Minami Azabu	3,182.80	1,197	1.21	1,439	1.24	
		Landic Akasaka	10,560.15	10,950	11.08	11,828	10.19	
		Landic Akasaka 2	2,786.86	2,532	2.56	2,689	2.32	
		Landic Akasaka 3	812.49	654	0.66	733	0.63	
		Landic Mita 2	2,353.67	1,730	1.75	1,791	1.54	
		Shiba Daimon	2,588.50	2,213	2.24	2,269	1.96	
		Landic Nagai	3,996.89	3,198	3.24	3,476	3.00	
		Subtotal	48,335.68	43,351	43.88	45,396	39.12	
	Other Tokyo Wards	Carrot Tower (Blocks 10 & 15) (Block 3)		6,916.91	4,894	4.95	5,522	4.76
		Center Machiya	1,186.05	608	0.62	620	0.53	
		Toyo MK	9,808.29	5,165	5.23	5,292	4.56	
		Nikko Moto Yoyogi	7,804.12	5,077	5.14	5,114	4.41	
		Nikko Kagurazaka	2,275.29	1,663	1.68	1,610	1.39	
		Round-Cross Nishi Shinjuku	1,248.18	2,649	2.68	2,689	2.32	
		DaVinci Gotanda	1,785.25	615	0.62	598	0.52	
		DT Gaien	2,566.86	2,687	2.72	2,450	2.11	
		DaVinci Kiba	4,859.94	2,400	2.43	2,462	2.12	
		DaVinci Waseda	2,311.71	1,667	1.69	1,646	1.42	
		DaVinci Yoyogi	1,960.60	1,495	1.51	1,508	1.30	
		Landic Gotanda	2,575.92	2,134	2.16	2,148	1.85	
			Subtotal	45,299.12	31,698	32.08	31,664	27.29
		Greater Tokyo	Neo City Mitaka	4,622.21	2,143	2.17	2,240	1.93
			Subtotal	4,622.21	2,143	2.17	2,240	1.93
	Other Cities	OX Basho no Tsuji	2,570.24	813	0.82	910	0.78	
		OX Otsu	910.67	199	0.20	190	0.16	
		Subtotal	3,480.91	1,012	1.02	1,100	0.95	
		Total	101,737.92	78,204	79.15	80,402	69.29	
	Residential	Tokyo Central 3 Wards	Park Axis Nishi Azabu Stage	1,337.31	1,234	1.25	1,236	1.07
			Subtotal	1,337.31	1,234	1.25	1,236	1.07
		Other Tokyo Wards	Grand Maison Hakusan	1,161.02	453	0.46	465	0.40
			Sonet Kam Ikebukuro	5,853.00	2,360	2.39	2,414	2.08
		Subtotal	7,014.02	2,813	2.85	2,880	2.48	
		Total	8,351.33	4,047	4.10	4,116	3.55	
	Others	Other Tokyo Wards	OX Kameido	1,233.59	456	0.46	447	0.39
			Subtotal	1,233.59	456	0.46	447	0.39
Greater Tokyo		Cross Gate	25,952.60	15,030	15.21	15,167	13.07	
		Subtotal	25,952.60	15,030	15.21	15,167	13.07	
Other Cities		OX Mito	2,470.77	518	0.52	510	0.44	
		OX Gifu	2,614.64	546	0.55	544	0.47	
	Sub Total	5,085.41	1,064	1.08	1,054	0.91		
	Total	32,271.60	16,550	16.75	16,669	14.36		
	Grand Total	142,360.85	98,801	100.00	101,188	87.20		

Notes:

1. The above appraisals were conducted by Tanizawa Sogo Appraisal Co., Ltd. and Chuo Real Estate Appraisal Co., Ltd., based on the valuations as of 31 August 2002.
2. Percentage of the properties' book values in total assets as of the end of the first fiscal period.

3. Selected Financial Data by Property

For the period from 10 September 2001 to 31 August 2002

	Area	Name of Building	Number of Tenants ⁽²⁾	Occupancy Rate ⁽²⁾ (%)	Rental Revenue (In millions of yen)	Percentage of Total Revenue (%)	
Office	Tokyo Central 3 Wards	Akasaka Kyowa	6	79.9	147	2.2	
		Aoyama Suncrest	5	99.1	268	4.0	
		Ascend Kanda ⁽¹⁾	2	100.0	-	-	
		Nikko Ichi-bancho	8	100.0	241	3.6	
		VX Kayabacho ⁽¹⁾	1	100.0	-	-	
		DaVinci Shirogane-dai	14	83.1	84	1.3	
		DaVinci Higashi Nihonbashi	7	100.0	106	1.6	
		DaVinci Akasaka Mitsuke	10	100.0	88	1.3	
		DaVinci Shiba 2	9	100.0	49	0.7	
		DaVinci Aoyama	10	100.0	286	4.3	
		Landic Minami Azabu	3	68.0	94	1.4	
		Landic Akasaka	21	90.0	586	8.7	
		Landic Akasaka 2	11	100.0	151	2.3	
		Landic Akasaka 3	8	100.0	46	0.7	
		Landic Mita 2 ⁽¹⁾	2	98.0	-	-	
		Shiba Daimon ⁽¹⁾	1	100.0	-	-	
		Landic Nagai	8	77.0	182	2.7	
	Subtotal			126	91.5	2,699	40.2
	Other Tokyo Wards	Carrot Tower		6	85.7	413	6.2
		Center Machiya ⁽¹⁾		1	100.0	-	-
		Toyo MK		7	90.7	390	5.8
		Nikko Moto Yoyogi ⁽¹⁾		2	100.0	-	-
		Nikko Kagurazaka		3	100.0	140	2.1
		Round-Cross Nishi Shinjuku		5	94.2	152	2.3
		DaVinci Gotanda		5	100.0	63	0.9
		DT Gaien		6	100.0	172	2.6
		DaVinci Kiba		4	87.2	184	2.7
DaVinci Waseda			6	100.0	112	1.7	
DaVinci Yoyogi			14	100.0	86	1.3	
Landic Gotanda ⁽¹⁾		1	100.0	-	-		
Subtotal			60	94.3	2,177	32.4	
Greater Tokyo	Neo City Mitaka		6	100.0	213	3.2	
Subtotal			6	100.0	213	3.2	
Other Cities	OX Basho no Tsuji		6	31.8	37	0.6	
	OX Otsu ⁽¹⁾		2	100.0	-	-	
Subtotal ⁽¹⁾			5	49.6	-	-	
Total			197	91.7	5,164	76.9	
Residential	Tokyo Central 3 Wards	Park Axis Nishi Azabu Stage	25	87.3	63	0.9	
		Subtotal	25	87.3	63	0.9	
	Other Tokyo Wards	Grand Maison Hakusan ⁽¹⁾	1	100.0	-	-	
		Sonet Kami Ikebukuro ⁽¹⁾	1	100.0	-	-	
Subtotal		2	100.0	175	2.6		
Total			27	98.0	238	3.6	
Others	Other Tokyo Wards	OX Kameido ⁽¹⁾	1	100.0	-	-	
		Subtotal ⁽¹⁾	1	100.0	-	-	
	Greater Tokyo	Cross Gate	16	100.0	1,194	17.8	
		Subtotal	16	100.0	1,194	17.8	
	Other Cities	OX Mito ⁽¹⁾	1	100.0	-	-	
		OX Gifu ⁽¹⁾	1	100.0	-	-	
Subtotal		2	100.0	90	1.3		
Total			19	100.0	1,315	19.6	
Grand Total			243	93.9	6,718	100.0	

Notes:

- Over 80% of rental revenue for this property is derived from rental contracts with one or a few specific tenants. Because of the confidentiality of the contractual terms that we have concluded with such tenants, we may not disclose the rental revenue amount of this property.
- Occupancy rate and number of tenants as of 31 August 2002.

4. Major Tenants

According to the regulations concerning JREITs, we are required to disclose the information about tenants who lease more than 10% of rentable areas of the properties in the fund. As of the end of the first fiscal period, there is only one tenant, Fujita Kanko Co. Ltd., which occupies more than the threshold level of rentable areas.

The following list shows the ten largest tenants in descending order of floor space rented by each tenant as of 31 August 2002.

The percentages of total rentable space are calculated based on the areas that OJR owns, as opposed to the entire rentable areas of the properties.

Name of Tenant		Property	Expiration Date	Total Rented Space (m ²)	Percentage of Total Rentable Space ⁽¹⁾
1.	Fujita Kanko Co., Ltd.	Cross Gate	30 September 2020	19,744.39	14.8
2.	<i>See Note 2 below.</i>	-	-	7,387.13	5.5
3.	Shidax Community Co., Ltd	OX Mito	26 March 2016	2,470.77	1.8
		OX Gifu	29 March 2016	2,614.64	2.0
		OX Kameido	15 March 2016	1,233.59	0.9
4.	Housing Kosan Co., Ltd. ⁽³⁾	Sonnet Kami Ikebukuro	31 October 2004	5,853.00	4.4
5.	Shinko Denki Co., Ltd.	Toyo MK	30 April 2003	4,084.92	3.1
6.	Dynic Co., Ltd	Shiba Daimon	31 January 2004	2,588.50	1.9
7.	Senshukai Co., Ltd.	Landic Gotanda	30 June 2006	2,572.92	1.9
8.	National Semiconductor Japan	DaVinci Kiba	30 June 2006	2,252.73	1.7
9.	Richemont Japan	Landic Mita 2	31 March 2005	2,134.67	1.6
10.	Sun Micro Systems	Carrot Tower (Blocks 10 & 15)	19 June 2003	988.73	0.7
		Carrot Tower (Block 3)	30 April 2004	1,110.74	0.8
Total				55,036.73	41.2

Notes:

1. Leased space and total rentable space refer to contracted floor space, which is generally the actual floor size, as opposed to the registered size in the Japanese registry system. The percentages of total rentable space are rounded to one decimal place.
2. With respect to our second largest tenant, OJR has not obtained approval from the tenant to disclose its name in this report.
3. As of 1 October 2002, the former Housing Construction Co., Ltd., the original tenant, merged with the former Housing Kosan Co., Ltd., to become Housing Kosan Co., Ltd. Housing Kosan is entitled to sublease the property only if the sublessees use the property for residential purposes. The lessee may set the conditions for subleasing at its own discretion.

■ Capital Improvements

1. Repair Plans

The following table provides the capital improvement projects that are planned during the periods shown in the table. Total estimated costs include the amount that may be recognized as expense in the relevant periods. Going forward, we plan to conduct capital improvements from time to time to maintain our tenants' satisfaction and long-term competitiveness of our properties.

Name of Property (Location)	Objective	Estimated Period	Estimated Amount (In millions of yen)		
			Total Amount	Payment during the Current Period	Accumulated Amount
DaVinci Aoyama (Minato-ku, Tokyo)	Individual air conditioning system	From December 2002 to February 2003	170	-	-
	Renovation work of exterior wall	From September 2002 to December 2002	21	-	-
DaVinci Shirokanedai (Minato-ku, Tokyo)	Renovation work of exterior wall	From October 2002 to November 2002	23	-	-
DaVinci Kiba (Koto-ku, Tokyo)	Renovation work of ground floor	From August 2002 to October 2002	39	-	-
Landic Nagai (Chuo-ku, Tokyo)	Renovation work of exterior wall	From December 2002 to February 2003	30	-	-

2. Capital Expenditures

Given below is the summary of major construction for investment properties falling under the category of capital expenditures executed during the first fiscal period. Capital expenditures during the period amounted to ¥42 million. Combined with the repair costs of ¥35 million, total costs for the capital improvements during the first period amounted to ¥77 million.

Name of Properties (Location)	Objective	Period	Expenditure (In millions of yen)
DaVinci Aoyama (Minato-ku, Tokyo)	Renovation work of 7 th floor	From March 2002 to June 2002	25
Other Capital Expenditures			17
Total			42

3. Cash Reserve for Capital Improvements

Based on its property-specific medium to long-term repair plans, OJR maintains a cash reserve for capital improvements from its interim cash flow. The following table provides the summary of cash reserves as of the end of the first fiscal period.

	(In millions of yen)
	As of 31 August 2002
Reserve balance at the beginning of the period	-
Amount accumulated	322
Withdrawal from reserves	-
Amount carried forward	322

Note: In addition to the above reserve amount, OJR has set aside ¥52 million as a reserve for repair works in properties that OJR has compartmentalized ownership interests. Such reserves are generally required in pursuant to the management regulations of the owners' associations.

■ Administrative Expenses

The following table shows the breakdown for the fees and expenses associated with trust and other administrative functions.

	(In millions of yen)
Item	As of 31 August 2002
Asset management fees	227
Asset custody fees	24
Agent fees	102
Officers' fees	9
Auditors fees	10
Other expenses	46
Total	420

Note: Separate from the expenses shown above, ¥498 million of the acquisition fee was paid to ORIX Asset Management in the first fiscal period. This amount has been capitalized as part of the acquisition cost and was included in the book value of the investment properties.

■ Trading Activities

1. Trading of Real Estate and Real Estate held in Trust

There has been no disposition of our property during the first fiscal period.

		Acquisition			
Area	Name of Building	Date	Price		
Office	Tokyo Central 3 Wards	Akasaka Kyowa	1 December 2001	2,087	
		Aoyama Suncrest	1 December 2001	3,356	
		Ascend Kanda	1 December 2001	670	
		Nikko Ichi-bancho	1 December 2001	3,900	
		VX Kayabacho	1 December 2001	880	
		DaVinci Shirogane-dai	21 December 2001	1,300	
		DaVinci Higashi Nihonbashi	21 December 2001	1,720	
		DaVinci Akasaka Mitsuke	21 December 2001	1,650	
		DaVinci Shiba 2	21 December 2001	707	
		DaVinci Aoyama	21 December 2001	4,529	
		Landic Minami Azabu	21 December 2001	1,394	
		Landic Akasaka	10 January 2002	11,580	
		Landic Akasaka 2	10 January 2002	2,624	
		Landic Akasaka 3	10 January 2002	697	
		Landic Mita 2	10 January 2002	1,748	
		Shiba Daimon	10 January 2002	2,195	
		Landic Nagai	10 January 2002	3,378	
		Subtotal		44,415	
		Other Tokyo Wards	Carrot Tower (Office block 10 & 15) (Bank block 3)	1 December 2001	4,890
			Center Machiya	1 December 2001	610
			Toyo MK	1 December 2001	5,270
	Nikko Moto Yoyogi		1 December 2001	5,091	
	Nikko Kagurazaka		1 December 2001	1,600	
	Round-Cross Nishi Shinjuku		1 December 2001	2,650	
	DaVinci Gotanda		21 December 2001	587	
	DT Gaen		21 December 2001	2,430	
	DaVinci Kiba		21 December 2001	2,450	
	DaVinci Waseda		21 December 2001	1,628	
	DaVinci Yoyogi		21 December 2001	1,473	
	Landic Gotanda		10 January 2002	2,113	
	Subtotal		31,381		
	Greater Tokyo	Neo City Mitaka	1 December 2001	2,200	
		Subtotal		2,200	
	Other Cities	OX Basho no Tsuji	1 December 2001	882	
		OX Otsu	1 December 2001	181	
		Subtotal		1,063	
		Total		79,060	
Residential	Tokyo Central 3 Wards	Park Axis Nishi Azabu Stage	1 December 2001	1,219	
		Subtotal		1,219	
	Other Tokyo Wards	Grand Maison Hakusan	1 December 2001	455	
Sonet Kam Ikebukuro		1 December 2001	2,377		
		Subtotal		2,832	
		Total		4,051	
Others	Other Tokyo Wards	OX Kameido	1 December 2001	438	
		Subtotal		438	
	Greater Tokyo	Cross Gate	10 January 2002	15,040	
		Subtotal		15,040	
	Other Cities	OX Mito	1 December 2001	498	
OX Gifu		1 December 2001	528		
		Subtotal		1,026	
		Total		16,504	
		Grand Total		99,615	

2. Trading of Other Assets Including Total Amount and Transactions

Other major assets, besides real estate stated above, consist mostly of bank deposits.

3. Related Parties Transactions

Transactions

(In millions of yen)

Category	Amount of sales and purchase	
	Purchase Amount	Sales Amount
Total Amount	99,615	-
	Purchase from related parties	Sales to related parties
	80,852 (81.2%) ⁽³⁾	-

Notes:

- The following table provides the breakdown of related party transactions for the first fiscal period.

(In millions of yen)

ORIX Corporation	7,520
ORIX Life Insurance Corporation	10,170
OREIT One Ltd.	7,700
OREIT Two Ltd.	37,112
OREIT Three Ltd.	4,051
OX One Ltd.	3,707
OR One Ltd.	10,591
Total	80,582

Related party transactions are regulated under Article 20 of the Enforcement Ordinance for the Investment Trust Law. The following six companies were considered related parties under the Investment Trust Law, with whom we had transactions in the first fiscal period: ORIX Corporation, ORIX Life Insurance Corporation, OREIT One Ltd., OREIT Two Ltd., OREIT Three Ltd., OX One Ltd., and OR One Ltd. OREIT One Ltd., OREIT Two Ltd., OREIT Three Ltd., OX One Ltd., and OR One Ltd. are special purpose vehicles sponsored by ORIX Corporation for the purpose of investing in real estate.

- In addition to the above transactions, OJR borrowed ¥105,000 million from ORIX Corporation during the first fiscal period to finance property acquisitions. The interest payment arising from the loan was ¥168 million.
- The figures in parentheses represent the percentage of the total purchase price (rounded to one decimal place).
- The purchase price and the amounts in the breakdown exclude property or city-planning taxes paid to the Related Parties that amounted to ¥334 million in total.

Commission paid

No commission was paid to Related Parties during the first fiscal period.

Financial Statements

Report of Independent Public Accountants

Balance Sheet

Statement of Income

Statement of Unitholders' Equity

Statement of Cash Flows

Notes to Financial Statements

Report of Independent Public Accountants

To the Unitholders' and the Board of Directors of ORIX JREIT Inc.:

We have audited the accompanying balance sheet of ORIX JREIT Inc. (a Japanese Real Estate Investment corporation) as of 31 August 2002, and the related statements of income, unitholders' equity and cash flows for the period from 10 September 2001, date of incorporation, to 31 August 2002, expressed in Japanese yen. Our audit was made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of ORIX JREIT Inc. as of 31 August 2002, and the results of its operations and its cash flows for the period from 10 September 2001 to 31 August 2002 in conformity with accounting principles generally accepted in Japan (Note 2).

Asahi & Co.

Tokyo, Japan

22 November 2002

ORIX JREIT Inc.
BALANCE SHEET

As of 31 August 2002

(In millions of yen)

Assets

Current assets:

Cash and deposits	¥ 12,414
Rental receivables	209
Consumption tax refundable	1,973
Prepaid expenses	77
Other current assets	18
Less-Allowance for doubtful receivables	(2)
Total current assets	14,689

Property and equipment, at cost:

Land	57,095
Buildings and structures	33,022
Building improvements	10,314
Machinery and equipment	887
	101,318
Less-Accumulated depreciation	(1,015)
Net property and equipment	100,303

Other assets:

Leasehold interests	885
Others	164
Total assets	¥ 116,041

Liabilities and Unitholders' Equity

Current liabilities:

Trade and other payables	¥ 485
Accrued expenses	92
Rents received in advance	762
Other current liabilities	68
Total current liabilities	1,407

Long-term debt

Long-term debt	43,000
Leasehold and security deposits received	7,162
Total liabilities	51,569

Unitholders' equity:

Unitholders' capital, 2,000,000 units authorized, and 123,372 units issued	61,700
Retained earnings	2,772
Total unitholders' equity	64,472
Total liabilities and unitholders' equity	¥ 116,041

The accompanying notes to financial statements are an integral part of this statement.

ORIX JREIT Inc.
STATEMENT OF INCOME

For the period from 10 September 2001(date of incorporation) to 31 August 2002

(In millions of yen)

Revenues:	
Rental and other operating revenues	¥ 6,719
Interest income	3
Other revenues	2
	6,724
Costs and expenses:	
Property-related expenses	2,774
Asset management fees	227
Administrative service fees	127
Interest expense	371
Issuance costs of investment units	4
Initial public offering costs	224
Start-up costs	97
Other expenses	126
	3,950
Income before income taxes:	2,774
Provision for income taxes	
Current	6
Deferred	(4)
Net income:	¥ 2,772

Earnings per unit:	(Yen)
Net income	¥ 46,301
Weighted average number of units outstanding	59,880

The accompanying notes to financial statements are an integral part of this statement.

ORIX JREIT Inc.
STATEMENT OF UNITHOLDERS' EQUITY
 For the period from 10 September 2001(date of incorporation) to 31 August 2002

	(In millions of yen)			
	Number of Units	Unitholders' Capital	Retained Earnings	Total Unitholders' Equity
Private Placement on 10 September 2001	400	¥ 200	¥ -	¥ 200
Issuance of Units on 13 March 2002	41,000	61,500	-	61,500
Unit Split on 22 April 2002	81,972	-	-	-
Net Income	-	-	2,772	2,772
Balance as of 31 August 2002	123,372	¥ 61,700	¥ 2,772	¥ 64,472

The accompanying notes to financial statements are an integral part of this statement.

ORIX JREIT Inc.
STATEMENT OF CASH FLOWS

For the period from 10 September 2001(date of incorporation) to 31 August 2002

(In millions of yen)

Cash Flows from Operating Activities:

Income before income taxes	¥	2,774
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation and amortization		1,027
Allowance for doubtful receivables		2
Interest income		(3)
Interest expense		371
Changes in assets and liabilities:		
Rental receivables		(209)
Consumption tax refundable		(1,973)
Prepaid expenses		(51)
Trade and other payables		376
Rents received in advance		762
Payments of long-term prepaid expenses		(130)
Others, net		51
Subtotal		2,997
Cash proceeds from interest income		3
Cash payments of interest expense		(284)
Net cash provided by operating activities		2,716

Cash Flows from Investing Activities:

Purchases of property and equipment		(101,211)
Purchases for leasehold rights		(885)
Proceeds from leasehold and security deposits received		8,315
Repayments of leasehold and security deposits received		(1,153)
Others, net		(68)
Net cash used in investing activities		(95,002)

Cash Flows from Financing Activities:

Proceeds from long-term debt		43,000
Proceeds from issuance of investment units		61,700
Net cash provided by financing activities		104,700
Net increase in cash and cash equivalents		12,414
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	¥	12,414

The accompanying notes to financial statements are an integral part of this statement.

Notes to Financial Statements

For the period from 10 September 2001(date of incorporation) to 31 August 2002

1. ORGANIZATION

ORIX JREIT Inc. (OJR), a Japanese real estate investment corporation, was established on 10 September 2001, with ¥200 million of capital contribution by ORIX Corporation, under the Law Concerning Investment Trusts and Investment Corporations of Japan, or the Investment Trust Law. OJR was formed to invest primarily in real estate in Japan, and as of 31 August 2002, it had a portfolio of 39 properties, including interests in 32 office properties, and also three residential properties and four other properties, including a hotel and retail properties. The properties were acquired at three different times. Substantial operations of OJR were commenced on the acquisition date of the first set of properties on 1 December 2001.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presenting financial statements

OJR maintains its official accounting records in Japanese yen and in accordance with the provisions set forth in the Investment Trust Law of Japan and the Securities and Exchange Law of Japan, and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying financial statements have been restructured and translated into English (with some expanded descriptions and the inclusion of statements of unitholders' equity) from the financial statements of OJR prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required fair presentation is not presented in the accompanying financial statements. OJR has not prepared consolidated financial statements, as it has no subsidiary.

In preparing the accompanying financial statements, certain reclassifications and modifications have been made in the financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. The statements of unitholders' equity and cash flows have been prepared for the purpose of inclusion in the accompanying financial statements, although such statements were not required for domestic purposes and were not filed with regulatory authorities.

(b) Property and equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets ranging as stated below:

Buildings and structures.....	20-50 years
Building improvements.....	6-18 years
Machinery and equipment.....	15-18 years

(c) Start-up costs

Start-up costs of ¥97 million were recognized as expenses for the fiscal period.

(d) Revenue recognition

Revenues from leasing of space are recognized on a straight-line accrual basis over the life of the lease.

(e) Taxes on property and equipment

Property and equipment are subject to various taxes, such as property taxes and city planning taxes. An owner of a property is registered in the record maintained by the local government in each jurisdiction, and the taxes are imposed on the owner registered in the record, as of January 1st, based on the assessment made by the local government.

The sellers of the properties were liable for these taxes on the properties purchased before 31 December 2001 for the period prior to that date. With respect to the properties purchased before 31 December 2001, OJR paid the amounts for the period from the property transfer date to 31 December 2001 to the sellers, as included in the purchase prices of each property and capitalized as the cost of the property. OJR expensed the taxes imposed on for the calendar year 2002 such properties acquired before 31 December 2001 as property-related expenses when the assessment and decision was notified.

As to the properties purchased after 1 January 2002, such taxes were imposed on the sellers for the calendar year 2002, and OJR paid to the sellers the amounts for the period from the property acquisition date to 31 December 2002, as included in the purchase prices of each property and capitalized as the cost of the property.

The amount of such taxes included in the costs of real estate acquisition is ¥338 million.

(f) Allowance for doubtful receivables

Allowance for doubtful receivables is provided in amounts sufficient to cover an estimated uncollectible amount based on the analysis of individual accounts.

(g) Income taxes

Deferred tax assets and liabilities are computed based on the difference between the financial statements and income tax bases of assets and liabilities using the enacted tax rate.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits placed with bank and short-term investments, which are highly liquid, readily convertible to cash, and with an insignificant risk of price fluctuation, with original maturity of three months or less.

3. SHORT-TERM DEBT AND LONG-TERM DEBT

OJR has no short-term debt as of 31 August 2002. Although OJR borrowed ¥105 billion in short-term debt, due on 29 March 2002, from ORIX Corporation during this fiscal period, OJR repaid all of the short-term debt in March 2002. In repaying the short-term debt, OJR refinanced ¥43 billion to obtain long-term debt due on 20 March 2007, which was borrowed from 6 syndicated lenders, The Sumitomo Trust & Banking, The Mitsubishi trust & Banking, The Chuo Mitsui Trust & Banking, The Norinchukin Bank, Tokio Marine & Fire Insurance, and SOMPO JAPAN INSURANCE INC..

The annual interest rates on the long-term debt outstanding, as of 31 August 2002, consists of fixed interest rates (1.34146%) and floating interest rates (ranging from 0.69500% to 1.09083%). These long-term debts are secured by its' 39 properties and pledged by its' tenant deposits and insurance claims. The long-term debts from syndicated lenders outstanding, as of 31 August 2002, are as follows:

	(In millions of yen)
	Balance
Fixed rate debt (1.34146% secured debt due on 20 March 2007).....	¥ 17,500
Floating rate debt (secured debt due on 20 March 2007 with interest rates ranging from 0.695000% to 1.09083%).....	25,500
Total.....	<u>¥ 43,000</u>

4. PER UNIT INFORMATION

Net asset value per unit as of 31 August 2002 is ¥522,586 and net income per unit for the period from 10 September 2001 to 31 August 2002 is ¥46,301.

In computing net income per unit, the weighted average number of units outstanding of the 59,880 units for the period from 10 September 2001 to 31 August 2002 has been used. On 22 April 2002, each unit was split into 2.98 units. This increased the number of units issued from 41,400 to 123,372. In calculating of the weighted average number of 59,880 units outstanding, it was assumed that the units were split at the beginning of this fiscal period.

5. INCOME TAXES

As of 31 August 2002, OJR's deferred tax assets consist of as follows :

	(In millions of yen)
Business facility tax payable not qualifying for deduction on tax returns.....	¥1
Accrued payable not qualifying for deduction on tax returns.....	1
Others	<u>2</u>
Total deferred tax assets.....	4
Net deferred tax assets.....	<u>¥4</u>

The reconciliation of tax rate difference between the adjusted statutory tax rate and the effective tax rate for the period from 10 September 2001 to 31 August 2002, is as follows:

Statutory tax rate.....	40.72%
Estimated allowable dividend distribution (*).....	(40.69)
Other.....	<u>0.04</u>
Effective tax rate.....	<u>0.07%</u>

OJR has a policy to make dividend distributions in excess of 90% of taxable income for a fiscal period to qualify for conditions set forth in the Special Taxation Measures Law of Japan to achieve a deduction of dividend distributions for income tax purposes. Based on such policy, OJR calculated the amount of above stated dividend distribution, as an amount equal to the retained earnings, as of 31 August 2002, of ¥2,772 million and treated it as tax allowable dividend distribution, as defined in the Special Taxation Measures Law of Japan.

6. UNITHOLDERS' EQUITY

OJR maintains at least ¥50 million as the minimum net assets as required by the Investment Trust Law of Japan.

OJR may make distributions to unitholders out of, or even more than, accounting profits calculated by deducting the sum of its total contribution amount from its net asset amount; provided, however, that such distribution amount shall not exceed the amount remaining after deducting ¥100 million from its net asset amount.

7. RELATED-PARTY TRANSACTIONS

(a) Transactions with ORIX Asset Management Corporation ("ORIX Asset Management")

ORIX Asset Management, a wholly owned subsidiary of ORIX Corporation, provides OJR with asset management services. For these services, OJR pays ORIX Asset Management and reimburses it for certain costs in accordance with the terms of its articles of incorporation and the Asset Management Agreement as prescribed. ORIX Asset Management also provides certain property management services to OJR, for which OJR pays fees under the Property Management Agreements as prescribed. For the period from 10 September 2001 through 31 August 2002, OJR was obligated to pay ORIX Asset Management ¥227 million in asset management fees, ¥498 million in commissions for

property acquisitions, ¥50 million for the establishment of OJR, and ¥173 million for property management. The ¥498 million in commissions for property acquisitions were capitalized and included in the costs of property and the other items were charged to income as property related expenses and management and administrative fees. As of 31 August 2002, OJR recorded ¥53 million of accrued expenses and ¥34 million of payables to ORIX Asset Management.

(b) Transactions with ORIX Corporation and subsidiaries of ORIX Corporation

(i) Purchase of investment units

On 10 September 2001, upon incorporation, OJR issued 400 units to ORIX Corporation and ¥200 million of capital contribution was paid (¥500,000 per unit). Also on 13 March 2002, OJR issued 41,000 new units at ¥1.5 million per unit, or ¥61,500 million in total, which were subscribed by ORIX Corporation.

(ii) Acquisitions of properties

During the period from 1 December 2001 to 10 January 2002, OJR acquired 30 properties from ORIX Corporation and/or subsidiaries of ORIX Corporation, for which an aggregate purchase price of ¥81,182 million of cash was paid. The purchase price of each of these properties was determined based on an independently appraised value. As of 31 August 2002, payables to ORIX Corporation and its subsidiaries amounted to ¥7 million.

(iii) Finance cost

OJR acquired all of its properties with the funding of ¥105 billion provided by ORIX Corporation. OJR recognized interest expenses of ¥169 million resulting from the short-term debt owed to ORIX Corporation stated in Notes 3 for the 1st fiscal period.

On 13 March 2002, OJR repaid ¥500 million to ORIX Corporation from its funds of operation. Also, on the same day, OJR issued 41,000 new units at ¥1.5 million per unit, which were subscribed by ORIX Corporation. OJR used ¥61.5 billions of the proceeds to repay a portion of its borrowings from ORIX Corporation. In addition to that, OJR repaid the remaining ¥43 billion of its outstanding borrowings to ORIX Corporation on 20 March 2002 with funds OJR borrowed from a syndicated group of banks and other financial institutions stated in Notes 3. As a result of these repayments, OJR had no outstanding borrowing from ORIX Corporation, as of 31 August 2002.

8. BREAKDOWN OF RENTAL AND OTHER OPERATING REVENUES, AND PROPERTY-RELATED EXPENSES

Rental and other operating revenues and property-related expenses for the period from 10 September 2001 to 31 August 2002, consist of the following:

	(In millions of yen)
Rentals:	
Rental revenues.....	¥ 4,779
Common-area charges.....	<u>1,027</u>
Subtotal.....	<u>5,806</u>
Others:	
Parking lots.....	¥ 190
Miscellaneous.....	<u>723</u>
Subtotal.....	<u>913</u>
Total rental and other operating revenues.....	<u>¥ 6,719</u>
Property management fees.....	¥ 794
Depreciation.....	1,015
Utility charges.....	582
Property and other taxes.....	262
Others.....	<u>121</u>
Total property-related expenses.....	<u>¥ 2,774</u>

9. LEASES

OJR operates its properties that are rented to tenants on lease terms of generally two years, with monthly payments due in advance.

The lease contracts include non-cancelable operating leases, and the minimum future rentals on non-cancelable operating leases as of 31 August 2002 are as follows:

	(In millions of yen)
Due within one year.....	¥ 879
Due after one year.....	<u>3,620</u>
Total.....	<u>¥ 4,499</u>

10. SIGNIFICANT SUBSEQUENT EVENTS

As of 1 November 2002, the Board of Directors of OJR resolved to effect the payment of a cash distribution of ¥22,472 per unit aggregating ¥2,772 million to unitholders recorded on 31 August 2002.

C o r p o r a t e D a t a

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Date of Incorporation

10 September 2001

Capital

61,700 million yen
123,372 units

Number of Unitholders

26,318 (As of 31 August 2002)

Transfer Agent

UFJ Trust Bank Limited
4-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
100-0005, Japan

Independent Public Accountants

Asahi & Co.
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Investors Relations

For further information, please contact our asset
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