

Further evolution as a diversified REIT

ORIX JREIT REPORT
18th Period

From: September 1, 2010 To: February 28, 2011

ORIX JREIT Inc.

ORIX JREIT REPORT 18th Period



ORIX JREIT Inc.

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Profile

On June 12, 2002, ORIX JREIT Inc. (OJR) was listed on the Tokyo Stock Exchange as a diversified REIT, the first such listing in Japan. OJR invests in a wide variety of real estate properties, centered on office buildings, and also including logistics facilities, retail facilities, residential, and other properties.

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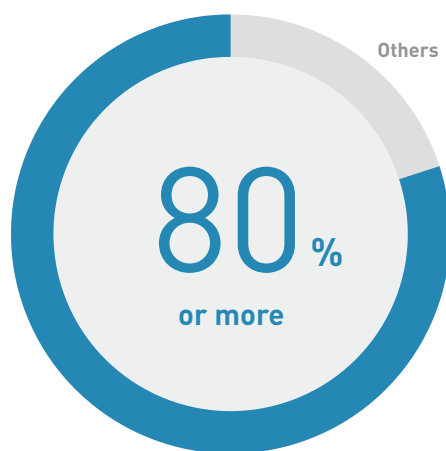
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OJR Investment Policy

Aiming at creating a solid portfolio that combines stability and growth potential

Greater Tokyo Area

(Tokyo, Kanagawa, Saitama and Chiba)



Offices



OJR is a diversified REIT focused on office buildings and greater Tokyo. In order to diversify risk and deliver stable distributions to unitholders, OJR has been creating a solid portfolio that combines stability and growth potential. Investment is based on the following four considerations: property use diversification, regional diversification, property size, and portfolio management.

1 Use
Generally speaking, we will invest in office-use real estate-related assets with a value of 60% or more (on an acquisition price basis) of our total portfolio. Also through investing in a wide variety of real estate-related assets, including logistics facilities, retail facilities, residential and other properties, we aim to construct a portfolio based on an integrated model. Diverse investments are expected to reduce exposure to risk, and help maintain and increase the stability and growth potential of distributions over the medium to long term.

2 Region
We will invest 80% or more of the total portfolio (on an acquisition price basis) in the greater Tokyo area (Tokyo, Kanagawa, Saitama and Chiba). In order to improve profitability in total portfolio, we also invest in candidates based on set criteria outside the greater Tokyo area.

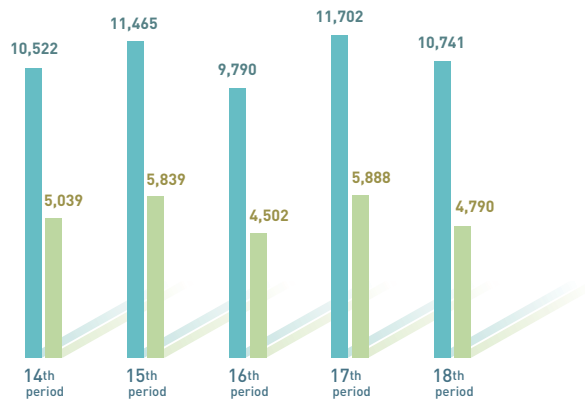
3 Property Size
For offices in particular, our general rule for investment is to focus on medium-sized or larger real estate-related assets, but at the same time, reduce the investment risk concentrated in each specific property. With regard to real estate-related assets for non-office use, OJR will make investment decisions taking into consideration a variety of factors including the characteristics of each sector such as property size.

4 Portfolio Management
To enable us to respond effectively to changes in the business environment by adjusting our portfolio accordingly, we employ a flexible policy allowing us to make swift decisions on acquiring, holding, and selling real estate-related assets.

Operating revenues / Operating income

Millions of yen

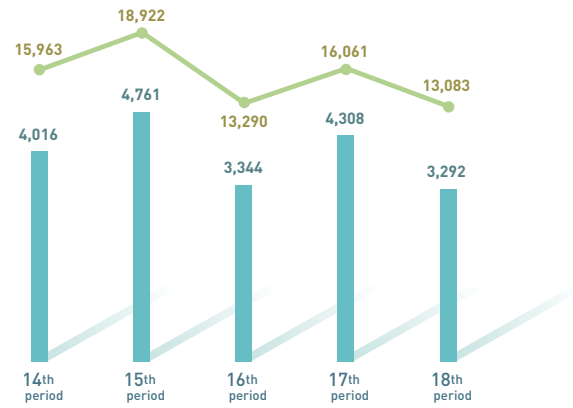
■ Operating revenues
■ Operating income



Net income / Distribution per unit

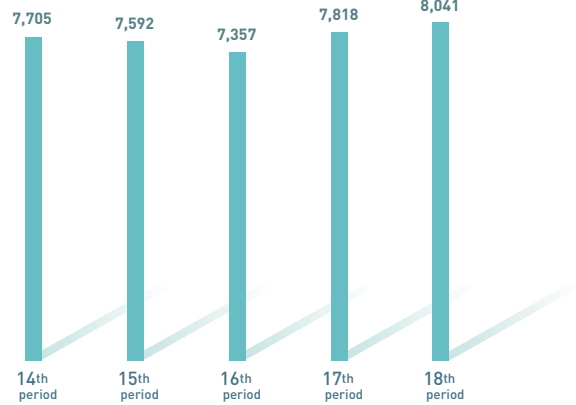
Millions of yen / Yen

■ Net income
● Distribution per unit



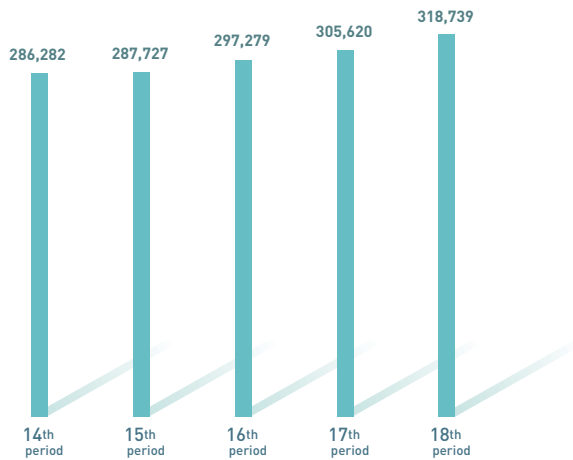
NOI from property leasing activity

Millions of yen



Total assets

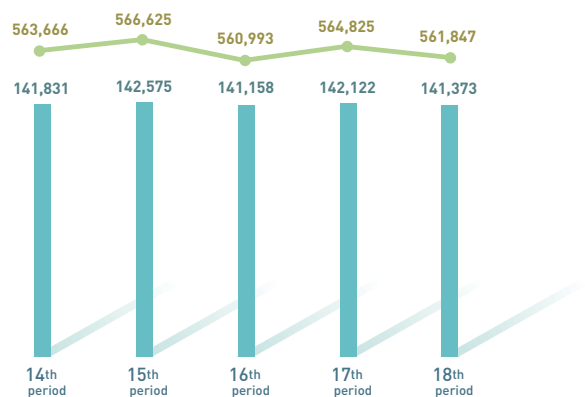
Millions of yen



Net assets / Net assets per unit

Millions of yen / Yen

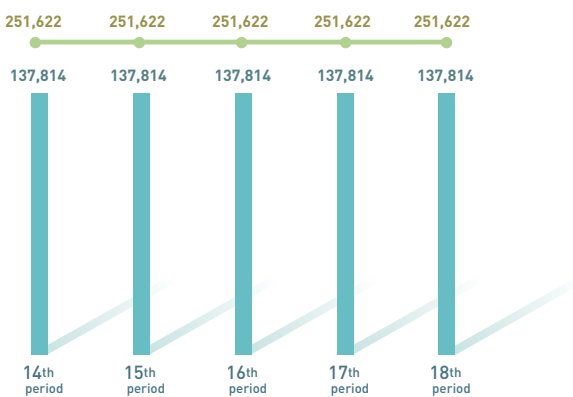
■ Net assets
● Net assets per unit



Unitholders' capital / Total number of units issued

Millions of yen / Units

■ Unitholders' capital
● Total number of units issued



Message from the Management



Takeshi Sato

President and Executive Director of ORIX JREIT Inc.

Hiroshi Yasuda

President and CEO of ORIX Asset Management Corporation

We express our deep appreciation for the ongoing concern that our unitholders have for ORIX JREIT Inc., and ORIX Asset Management Corporation.

We offer our deepest sympathies to all those who have been affected by the Great East-Japan Earthquake, and we hope for the earliest possible recovery and reconstruction.

We are pleased to report the business performance of OJR for the 18th period to our unitholders, as follows:

While developments pointing toward recovery were apparent in the Japanese economy as it emerged from its period of stagnation, difficult conditions, including a high level of unemployment, persisted during the 18th period. In the office leasing market, although the trend of decline in the average rent levels for Tokyo business districts weakened, the vacancy rate remained at around 9% according to the research by Miki Shoji Co., Ltd., so we believe that a full recovery in the market will still take some time. However, positive developments, such as expansion in floor areas have been seen for some buildings. On the other hand, signs are emerging in the office building sales market that anticipated yields on investment properties have stopped rising, so the sale price for properties with stable cash flow has begun to bottom out, and real estate transactions have been on the rise.

In this type of environment, OJR revised its investment policy in the 18th period, primarily by lowering our minimum ratio of investment in office buildings and resuming investment in residential properties. This was accomplished through the revision of OJR's Articles of Incorporation and regulations of ORIX Asset Management Corporation (OAM) in our aim to evolve further as a diversified REIT that excels in mobility and flexibility. In accordance with the revised policy, we acquired Shibaura Island Bloom Tower on January 31, 2011. On the financial front, we acquired a new AA- rating from the Japan Credit Rating Agency.

As a result of these efforts, we generated 10,741 million yen in operating revenues, 4,790 million yen in operating income, and 3,292 million yen in net income. The distribution per unit was 13,083 yen. As of April 22, 2011, the announcement date of the 18th period financial results, OJR holds a portfolio of 54 properties with a total acquisition price of 308,297 million yen.

Although minor damage to some of the properties that OJR owns was discovered as a result of the recent Great East-Japan Earthquake, it has been confirmed that there were no casualties or physical damage that will have a major impact on OJR's business operations. There are some concerns over the effect that the earthquake disaster will have on Japan's economy going forward, and OJR will continue to assess market trends accurately and run sound operations.

OJR intends to achieve further growth by flexibly and promptly responding to changes in the business environment, and aims to achieve stable distributions and an increase in the asset value of our portfolio over the medium to long term.

We thank all our unit holders and look forward to your continued support and encouragement.

Hiroshi Yasuda

President and CEO of ORIX Asset Management Corporation



Takeshi Sato

President and Executive Director of ORIX JREIT Inc.



Further evolution as a diversified REIT

OJR changed its investment policy through the passing of a resolution to approve a partial change to the OJR's Articles of Incorporation at the eighth unitholders' meeting held on October 26, 2010 and by revising the regulations of OAM regarding asset and property management for OJR. In this section, we will explain the background of the change made to our investment policy as well as an outline of the new investment policy.



Background of change made to investment policy

OJR has been focusing on office buildings and on the greater Tokyo area since going public, as a diversified REIT that aims to achieve solid growth and stable revenues through diversification of investments in a variety of regions as well as use of properties. At the same time, in order to respond to the cyclical nature of the real estate market, we recognize the importance of acquiring properties with other uses with flexibility and mobility in line with the changes in the environment. In light of this, we are also making careful investment in logistics facilities and retail facilities that offer stable cash flow and excellent profitability.

For the purpose of clarifying such basic understanding and strategy, we have changed our investment policy, thereby creating a structure which allows greater investment latitude regarding the diversification of property use—the strength of a diversified REIT—and enables us to flexibly acquire properties with different profitability profiles in line with changes in the environment.

Outline of Change in Investment Policy

With the change in investment policy, the horizon for external growth has extended, and in addition to investment in office buildings, we can now acquire excellent properties in such categories as logistics facilities, retail facilities and residential properties by capturing opportunities more flexibly than before.

Before

Use	Area	
	Greater Tokyo Area	Other Areas
Offices	80% or more	
Logistics facilities	80% or more	20% or less
Retail facilities		
Hotels		
Others		
	20% or less	

Boost Flexibility and Mobility

After

Use	Area	
	Greater Tokyo Area	Other Areas
Offices	60% or more	
Logistics facilities	80% or more	20% or less
Retail facilities		
Residential properties		
Others		
	40% or less	

(Note) The ratios shown in the charts above are an approximate guideline.

(Note) The ratios shown in the charts above are an approximate guideline.

Major changes in investment policy

1

Change to the minimum investment ratio requirement for office buildings

While continuing our strong focus on investment in office buildings, we endeavor to maintain the stability of our portfolio and to boost profitability by making careful investment in properties that have different profitability profiles.

2

Resuming investment in residential properties

We decided to resume investment in residential properties with the basic understanding that we can expect relatively stable revenue from residential properties.

3

Including “Hotels” in the category of “Others”

We have abolished the separate category “Hotels” and shall include it in the “Others” category since we have not made any investment in hotels since going public, and the investment opportunities in hotels are limited when compared with other types of properties for OJR.

Evolution toward a diversified REIT which excels in flexibility and mobility

OJR strives to further evolve as a diversified REIT by building a portfolio based on the strategy for external growth leveraged on its strength as a diversified REIT in accordance with the new investment policy. We will continue to focus on external growth and portfolio management with flexibility and mobility in line with changes in the environment, thereby seeking to maintain and bring up levels of distributions in the medium to long term.

New Acquisitions

Since the start of the 18th period, OJR has acquired a total of four properties (an office building, two retail facilities and a residential property).

New Acquisitions
Residence

Shibaura Island Bloom Tower

This property consists of two buildings, Bloom Tower, residential units for rent, and Bloom Homes, a private nursing home and dedicated residential rental units for elderly people. It is located about a nine-minute walk from JR Tamachi Station, a 10-minute walk from Shibaurafuto Station on the Yurikamome Line, and an 11-minute walk from Mita Station on the Tokyo Metropolitan Subway. It is located in the Shibaura Island district, an area offering easy access to business and commercial centers in central Tokyo.

Completed in 2008, the 48-story Bloom Tower is a recently-built high-rise residential property. It has a total of 964 rentable units that offers a variety of floor plans from studio units to “4LDK” units (the local terminology indicating a separate living room, dining room, kitchen and four bedrooms). Common facilities such as lounge areas are available and excellent services such as a concierge service and around-the-clock manned property management are also available.

The nine-story Bloom Homes consists of a full-care private nursing home, dedicated residential units for elderly people and a clinic mall. The whole building is leased out to ORIX Real Estate Corporation.



	Bloom Tower	Bloom Homes
Location	: Minato Ward, Tokyo	
Completion	: September 2008	September 2008
Number of Floors	: 48 floors	9 floors
Land	: 13,848.38 m ² (Fixed-term leasehold) [16%]*	
Total Floor Area	: 90,085.18 m ² [16%]**	14,101.56 m ² [16%]**
Acquisition Date	: January 31, 2011	
Acquisition Price	: ¥5,550 million	

* The figure in parenthesis indicates share of quasi-co-ownership of fixed-term leasehold and easement of OJR.

** The figures in parentheses indicate shares of co-ownership of OJR, respectively.

Maruetsu Sagamino

This property is located in the Sagamino area, Kanagawa Prefecture, a growing commuter town of Yokohama and Tokyo. The property is located about a four-minute walk from Sagamino Station, and also faces a main road connected to the area in front of the station, offering high visibility and easy access by car. These locational advantages will help attract a large number of shoppers to this local mall.

Completed in November 2005, this property is a retail facility equipped with single-level parking lots capable of housing 214 cars, and a bicycle-parking area, as well as a roofed pedestrian walkway.

The entire property is leased out under a long-term lease agreement to The Maruetsu Inc., a supermarket chain operator in the greater Tokyo area. The first floor is allocated as a grocery section, and the second floor accommodates tenants subleased by Maruetsu, including stores that deal with daily necessities such as a drug store and an everyday clothing store, as well as a dentist and restaurants.



Location	: Ebina City, Kanagawa
Completion	: November 2005
Number of Floors	: 2 floors
Land	: 9,256.20 m ²
Total Floor Area	: 6,863.76 m ²
Acquisition Date	: March 1, 2011
Acquisition Price	: ¥2,350 million

Okayama Kume Retail Facility

This property is located in Okayama City, Okayama Prefecture. Thanks to an influx of young families, this area has boasted the highest population growth in Okayama City throughout the post-war period and thus offers excellent market potential. Facing a main road, it is highly visible and easily accessible by car.

Mr Max Corporation, a major discount chain is housed in the main building as an anchor tenant, and there it operates a supercenter business. The main building also houses Himaraya, a major sporting goods retail chain. In addition, Hatada, a long-established Japanese-style confectioner is housed in the Annex.



	Main Building	Annex
Location	: Okayama City, Okayama	
Completion	: November 2009	: November 2010
Number of Floors	: 2 floors	: 1 floor
Land	: 16,517.19 m ²	
Total Floor Area	: 11,915.56 m ²	: 93.12 m ²
Acquisition Date	: January 31, 2011	
Acquisition Price	: ¥2,750 million	

New Acquisitions

New Acquisitions
Office

ORE Sapporo Building

This property is located in Chuo Ward in Sapporo City, which is home to a large number of government offices, financial institutions and branches of major companies, making it not only the largest business district in Hokkaido but also the prefecture's center of politics, economy, commerce and culture. The property is located about a four-minute walk from Sapporo Station on the Sapporo City Subway, a roughly five-minute walk from Odori Station, and a nine-minute walk from JR Sapporo Station, making it easily accessible.

Completed in November 2008, this property is a new office building with 12 floors above ground. Standard floors have roughly 314 tsubo (approx. 1,038 m²) of rental space. With pillar-free floors, featuring easy-to-use rectangular rooms, a ceiling height of 2,800 mm and a raised access floor of 100 mm, it offers a spacious rental area. In addition, the property boasts favorable characteristics including the option to divide a single floor into up to 10 subsections, separate air-conditioning systems, an automatic security system and parking space for a total of 70 cars.



Location	: Sapporo City, Hokkaido
Completion	: November 2008
Number of Floors	: 12 floors
Land	: 1,895.27 m ² (Fixed-term leasehold)
Total Floor Area	: 15,631.35 m ²
Acquisition Date	: October 1, 2010
Acquisition Price	: ¥4,250 million



Financial Status

OJR has been promoting a financial policy by paying attention to maintaining well-balanced liabilities and assets, (1) striving to improve financial soundness by increasing unsecured borrowings, fixing interest rates of debt on a long-term basis and dispersing repayment dates, and (2) promoting an efficient capitalization policy.

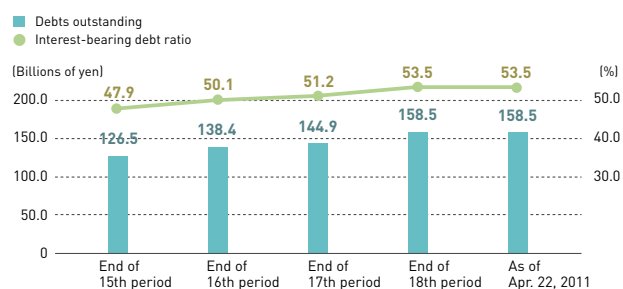
In the 18th period, OJR raised funds by issuing unsecured investment corporation bonds and it also received an AA- rating from Japan Credit Rating Agency, Ltd.

Rating agency and details of ratings

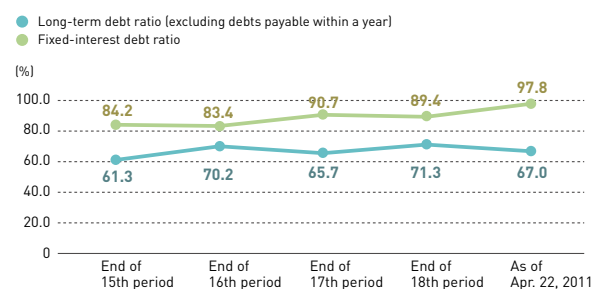
Rating agency	Details of ratings	Rating outlook
Standard & Poor's Ratings Japan K.K.	Long-term corporate credit rating: A- Short-term corporate credit rating: A-2	Stable
Rating and Investment Information, Inc.	Issuer rating: A+	Stable
Japan Credit Rating Agency, Ltd.	Long-term senior debt ratings: AA-	Stable

Overview of borrowings

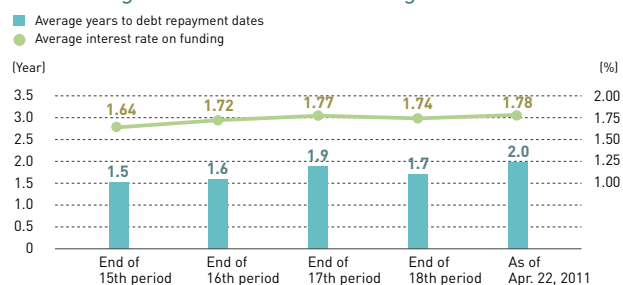
Debts outstanding and interest-bearing debt ratio



Long-term debt ratio and fixed-interest debt ratio

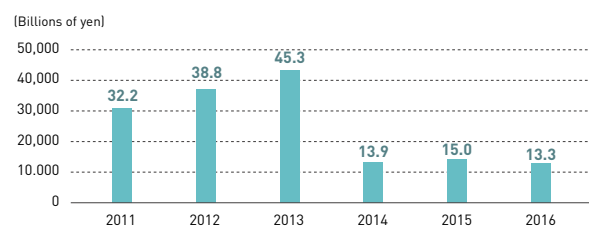


Average years to debt repayment dates and average interest rate on funding



Debts outstanding by repayment term

(as of April 22, 2011)



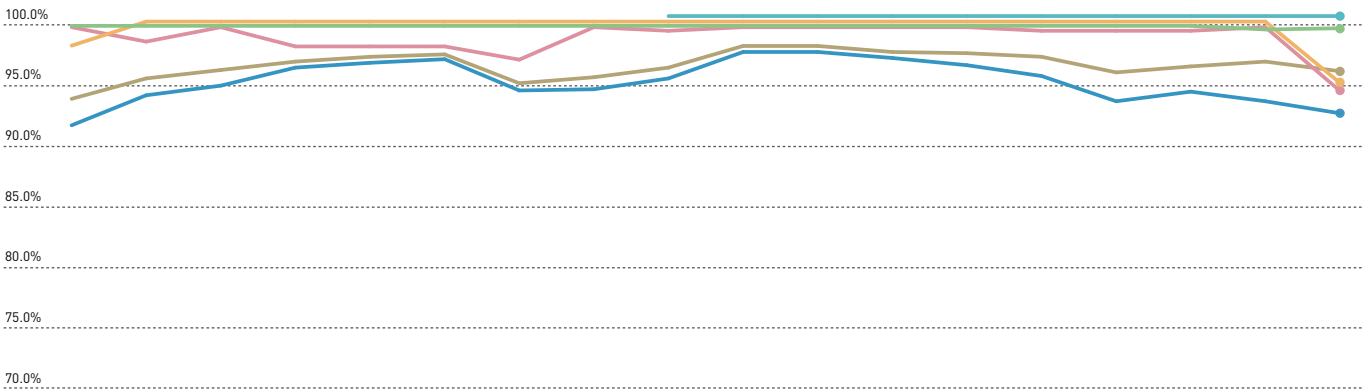
Notes:

- "Interest-bearing debt ratio" is obtained by dividing interest-bearing debts outstanding by the total amount of interest-bearing debts outstanding and unitholders' capital. Figures are rounded to the first decimal place.
- "Long-term debt ratio" is obtained by dividing outstanding long-term interest-bearing debts (excluding debts payable within a year) by outstanding interest-bearing debts. Figures are rounded to the first decimal place.
- "Fixed-interest debt ratio" is obtained by dividing outstanding fixed-rate interest-bearing debts by outstanding interest-bearing debts. Figures are rounded to the first decimal place.
- "Average interest rate on funding" represents the weighted-average interest rate (annual rate). Figures are rounded to the second decimal place. With regard to the average interest rate on the portion of borrowings for which the company concluded interest-rate swap agreements to hedge against interest rate fluctuation risk, the company used weighted-average interest rates adjusted for the effect of relevant interest-rate swaps.
- "Debts outstanding by repayment term" indicates the distribution of OJR's debts as of April 22, 2011 that will decrease due to repayments at the end of the years listed above.

Investment Performance

Record of OJR's Steady Growth

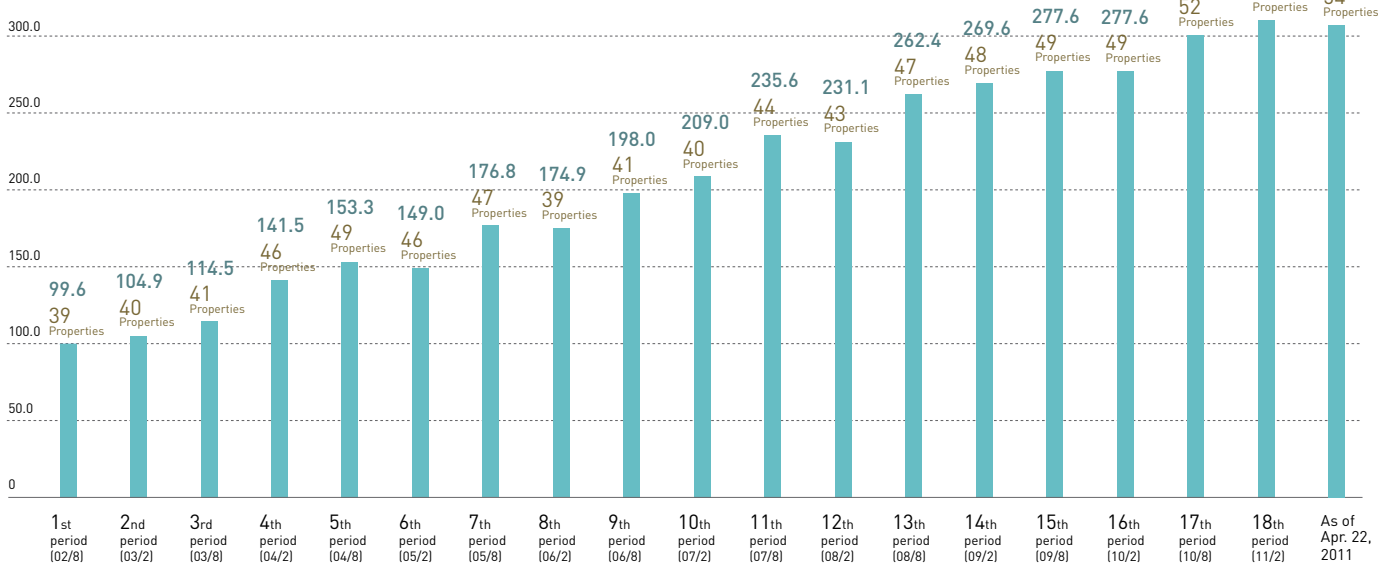
Occupancy rate (%)



	1st period (02/8)	2nd period (03/2)	3rd period (03/8)	4th period (04/2)	5th period (04/8)	6th period (05/2)	7th period (05/8)	8th period (06/2)	9th period (06/8)	10th period (07/2)	11th period (07/8)	12th period (08/2)	13th period (08/8)	14th period (09/2)	15th period (09/8)	16th period (10/2)	17th period (10/8)	18th period (11/2)
Offices	91.7	94.2	95.0	96.5	96.9	97.2	94.6	94.7	95.6	97.8	97.8	97.3	96.7	95.8	93.7	94.5	93.7	92.7
Logistics Facilities	-	-	-	-	-	-	-	-	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Retail Facilities	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	99.7	99.8
Residential Properties	98.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	94.9
Others	100.0	98.8	100.0	98.4	98.4	98.4	97.3	100.0	99.7	100.0	100.0	100.0	100.0	99.7	99.7	99.7	100.0	94.7
Overall	93.9	95.6	96.3	97.0	97.4	97.6	95.2	95.7	96.5	98.3	98.3	97.8	97.7	97.4	96.1	96.6	97.0	96.2

Note: "Hotels," previously an independent category, is included in the "Others" category under the new investment policy.

Total acquisition price (Billions of yen)



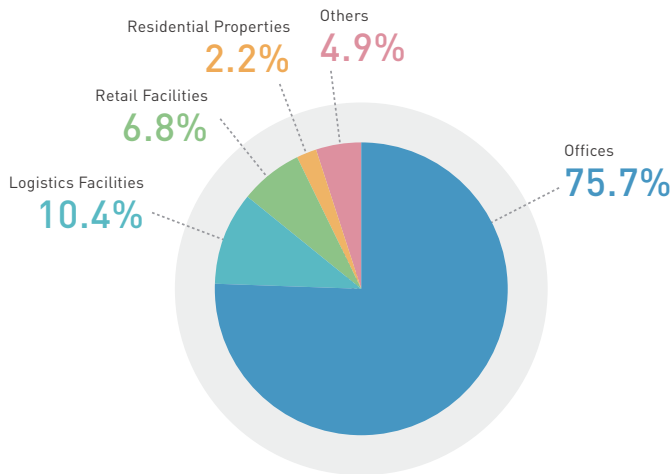
Distribution per unit (Yen)

22,472 15,501 15,246 14,156 14,772 14,068 16,437 15,274 16,261 14,850 14,572 16,233 15,174 15,963 18,922 13,290 16,061 13,083

Portfolio Data Based on Acquisition Price

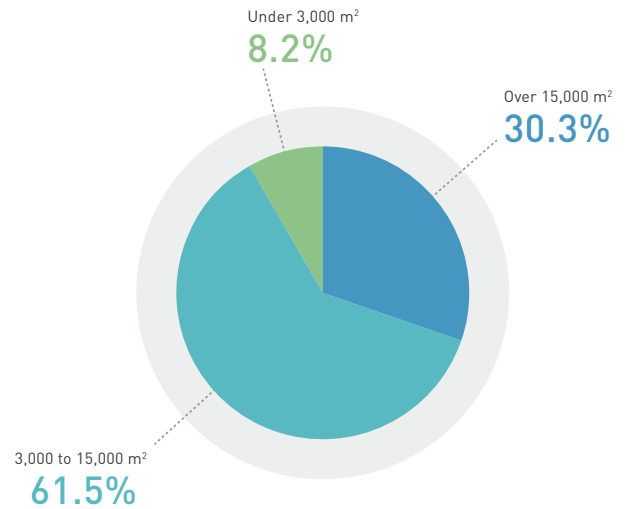
(As of April 22, 2011)

Use

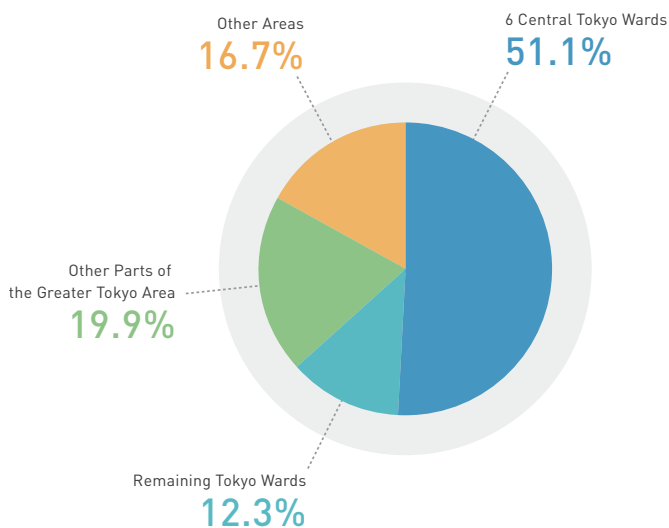


Property size (Total floor area)

Average 24,822m²

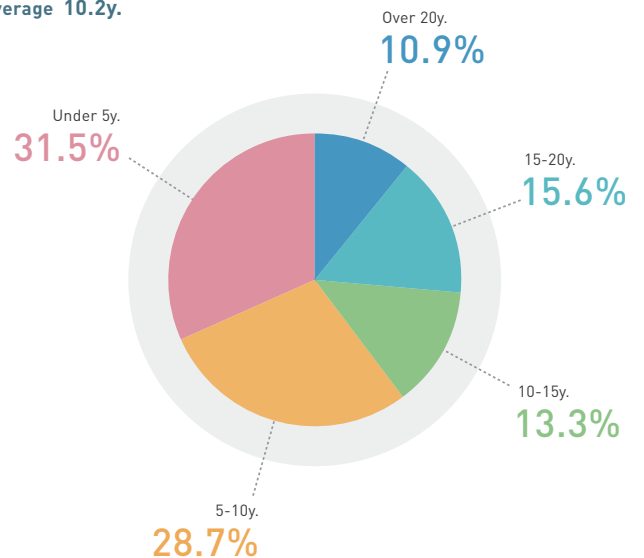


Area



Building age

Average 10.2y.



Notes:

1. Percentage figures in the above graphs are rounded to the first decimal place. Total amounts do not necessarily come to 100% due to rounding.
2. The weighted averages for property size and building age are described based on the acquisition price of each property respectively. Figures for property size are rounded to the nearest full number. Figures for building age are rounded to the nearest first decimal place.
3. The above "acquisition prices" refer to acquisition prices shown on the purchase contracts (consumption tax is not included in the acquisition prices).
4. The above "property size [total floor area]" refers to the total floor space of the buildings, regardless of the equity stake of the company in the property.
5. The Kobe Momoyamada Shopping Center [site] is not included in "Property size" and "Building age."

The Portfolio of OJR

As of April 30, 2011

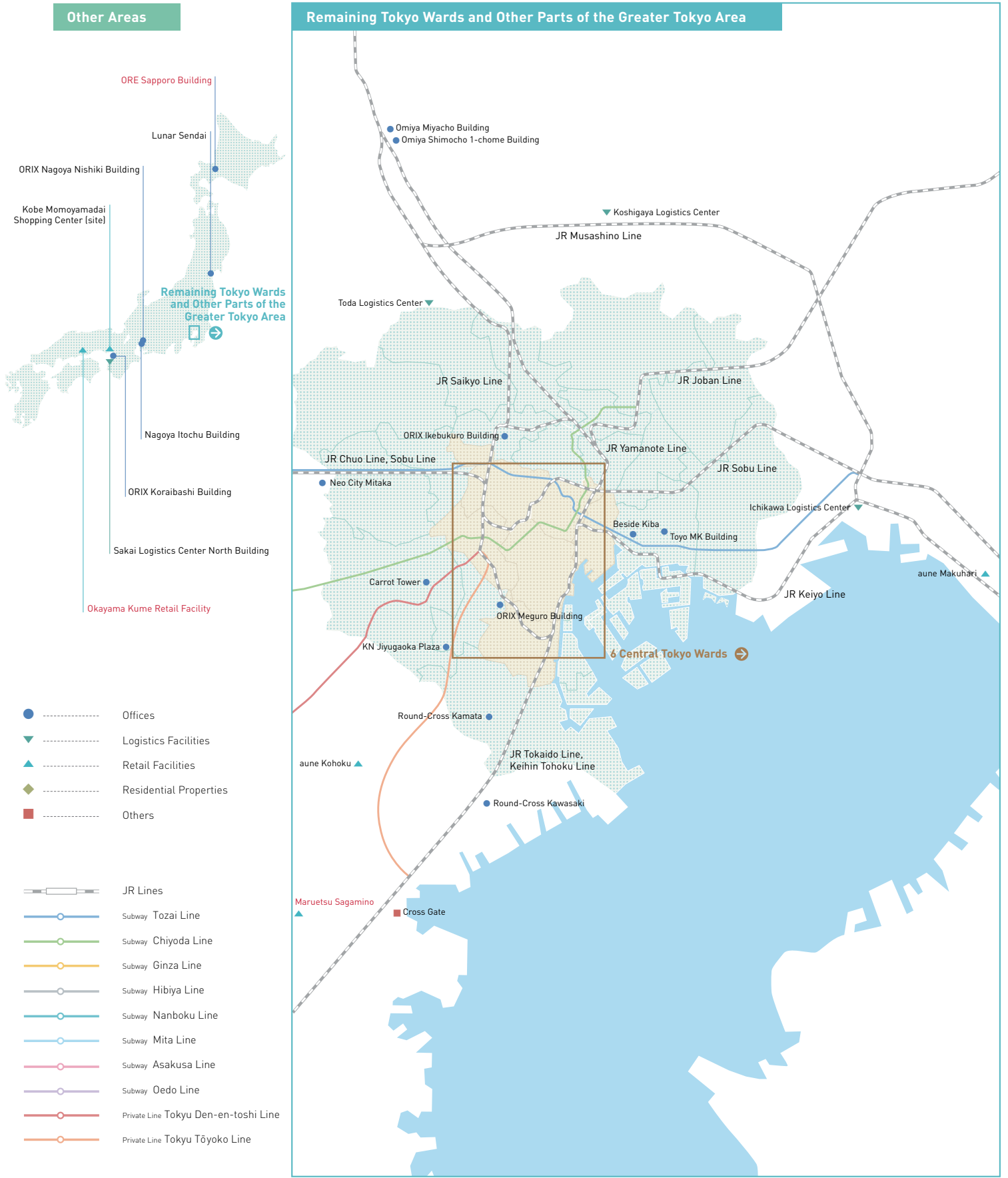
Use / Area	Property	Acquisition Price (Millions of yen)	Share in Total Acquisition Price (%)	Completion	Total Rentable Area (m ²)	Occupancy Rate (%)	
Offices							
6 Central Tokyo Wards	Aoyama Suncrest Building	3,356	1.1	September 1979	2,768.55	96.0	
	Round-Cross Ichi-bancho	3,900	1.3	March 1994	3,300.66	89.3	
	Round-Cross Nishi Shinjuku	2,650	0.9	June 1999	1,227.51	91.6	
	Beside Shirogane	1,301	0.4	September 1989	2,072.78	100.0	
	DT Gaien	2,430	0.8	February 1990	2,571.73	100.0	
	Nihonbashi East Building	1,720	0.6	October 1989	2,242.71	100.0	
	Yoyogi Forest Building	1,473	0.5	June 1987	1,909.30	99.4	
	Round-Cross Minami Azabu	1,394	0.5	May 1992	3,170.48	92.0	
	Round-Cross Akasaka	2,624	0.9	October 1978	2,787.18	87.6	
	Round-Cross Mita	1,748	0.6	May 1990	2,296.61	98.0	
	Shiba Daimon Building	2,195	0.7	October 1988	2,588.50	100.0	
	Round-Cross Tsukiji	3,378	1.1	May 1992	3,997.45	97.5	
	ORIX Shiba 2-chome Building	7,500	2.4	January 2003	6,753.13	100.0	
	Aoyama 246 Building	5,200	1.7	November 1990	2,406.22	100.0	
	Round-Cross Shinjuku	8,020	2.6	October 2005	4,736.19	94.3	
	Seafort Square Center Building	18,000	5.8	June 1992	22,024.93	83.3	
	ORIX Akasaka 2-chome Building	21,860	7.1	November 2004	10,296.05	95.3	
	Round-Cross Shinjuku 5-chome	4,500	1.5	October 2006	3,089.29	91.4	
	Nihonbashi Honcho 1-chome Building	10,500	3.4	March 2006	5,099.70	100.0	
	ST WORLD Building	3,500	1.1	March 2007	1,550.86	100.0	
	ORIX Suidobashi Building	3,000	1.0	October 2005	2,087.65	100.0	
	ORIX Shinagawa Building	15,200	4.9	June 2006	5,618.88	100.0	
	ORIX Real Estate Nishi Shinjuku Building	13,600	4.4	April 2007	7,059.20	100.0	
	OX Tamachi Building	6,730	2.2	January 1986	6,166.99	95.2	
	Remaining Tokyo Wards	Carrot Tower	5,479	1.8	November 1996	6,937.21	100.0
		Toyo MK Building	5,270	1.7	April 1997	9,815.95	100.0
		Beside Kiba	2,450	0.8	August 1991	4,804.28	87.2
		ORIX Ikebukuro Building	9,577	3.1	July 2002	5,539.92	100.0
Round-Cross Kamata		5,640	1.8	February 1994	7,855.74	100.0	
KN Jiyugaoka Plaza		3,110	1.0	December 2001	1,231.44	100.0	
ORIX Meguro Building		6,350	2.1	January 1996	6,119.61	93.5	
Other parts of the Greater Tokyo Area	Neo City Mitaka	2,200	0.7	September 1993	4,621.59	100.0	
	Round-Cross Kawasaki	4,130	1.3	January 1993	5,521.52	100.0	
	Omiya Miyacho Building	4,400	1.4	September 2008	4,062.92	100.0	
	Omiya Shimocho 1-chome Building	3,750	1.2	August 2009	4,912.79	100.0	

Use / Area	Property	Acquisition Price (Millions of yen)	Share in Total Acquisition Price (%)	Completion	Total Rentable Area (m ²)	Occupancy Rate (%)
Offices						
Other Areas	Nagoya Itochu Building	4,500	1.5	February 1981	11,208.24	93.1
	ORIX Koraibashi Building	5,560	1.8	July 2004	6,859.38	100.0
	Lunar Sendai	8,500	2.8	February 1998	9,954.78	90.7
	ORIX Nagoya Nishiki Building	12,500	4.1	January 2007	10,256.69	67.6
	ORE Sapporo Building	4,250	1.4	November 2008	11,672.41	97.8
	Offices Total	233,445	75.7	—	219,197.02	94.3
Logistics Facilities						
Other parts of the Greater Tokyo Area	Koshigaya Logistics Center	4,000	1.3	January 2006	19,200.00	100.0
	Toda Logistics Center	9,600	3.1	March 2005	36,158.60	100.0
	Ichikawa Logistics Center	8,300	2.7	June 2008	37,456.96	100.0
Other Areas	Sakai Logistics Center North Building	10,200	3.3	July 2009	64,004.80	100.0
	Logistics Facilities Total	32,100	10.4	—	156,820.36	100.0
Retail Facilities						
6 Central Tokyo Wards	Nihon Jisho Minami Aoyama Building	2,548	0.8	November 1997	985.36	100.0
	CUBE Daikanyama	2,435	0.8	January 2003	899.82	83.3
Other parts of the Greater Tokyo Area	aune Kohoku	4,000	1.3	March 2008	5,706.72	97.5
	aune Makuhari	3,600	1.2	February 2008	5,749.05	100.0
	Maruetsu Sagamino	2,350	0.8	November 2005	8,250.89	100.0
Other Areas	Kobe Momoyamadai Shopping Center (Site)	3,260	1.1	—	42,123.17	100.0
	Okayama Kume Retail Facility	2,750	0.9	November 2009	11,822.08	100.0
	Retail Facilities Total	20,943	6.8	—	75,537.09	99.6
Residential Properties						
6 Central Tokyo Wards	Park Axis Nishi Azabu Stage	1,219	0.4	April 2000	1,337.31	93.6
	Shibaura Island Bloom Tower	5,550	1.8	September 2008	12,263.80	93.9
	Residential Properties Total	6,769	2.2	—	13,601.11	93.9
Others						
Other parts of the Greater Tokyo Area	Cross Gate	15,040	4.9	September 2000	25,840.54	94.7
	Others Total	15,040	4.9	—	25,840.54	94.7
	Grand Total	308,297	100.0	—	490,996.12	96.9

Notes:

- Share in total acquisition price and occupancy rate are rounded to the first decimal place, and may not necessarily add up to totals due to rounding.
- Properties newly acquired during the 18th period or later are presented in red. OJR acquired the ORE Sapporo Building on October 1, 2010, Shibaura Island Bloom Tower and Okayama Kume Retail Facility on January 31, 2011, and Maruetsu Sagamino on March 1, 2011.
- OJR sold Sonet Kami Ikebukuro on December 27, 2010 and Round-Cross Moto Yoyogi on March 1, 2011.

Portfolio Map



6 Central Tokyo Wards



Main Properties in the Greater Tokyo Area

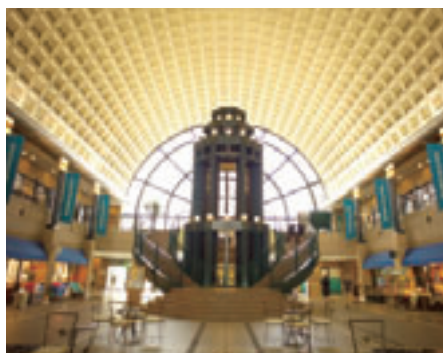
ORIX Akasaka 2-chome Building



Seafort Square Center Building



ORIX Shinagawa Building



ORIX Real Estate Nishi Shinjuku Building



OFFICES



Nihonbashi Honcho 1-chome Building



OFFICES



Toda Logistics Center



LOGISTICS



Main Properties in the Greater Tokyo Area



ORIX Ikebukuro Building



Round-Cross Shinjuku



ORIX Shiba 2-chome Building



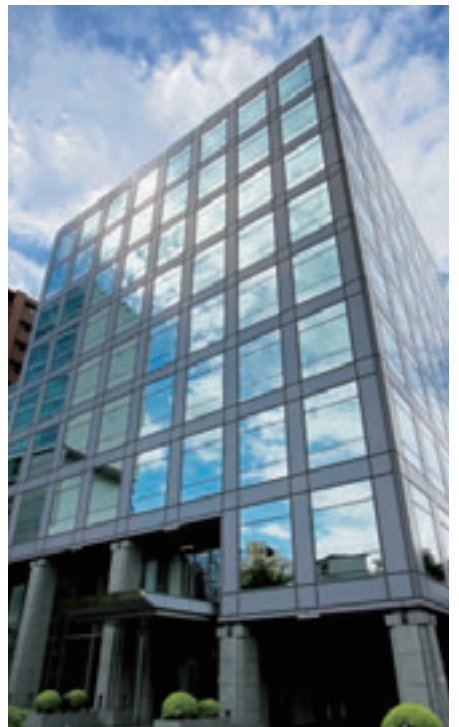
Carrot Tower



Round-Cross Shinjuku 5-chome



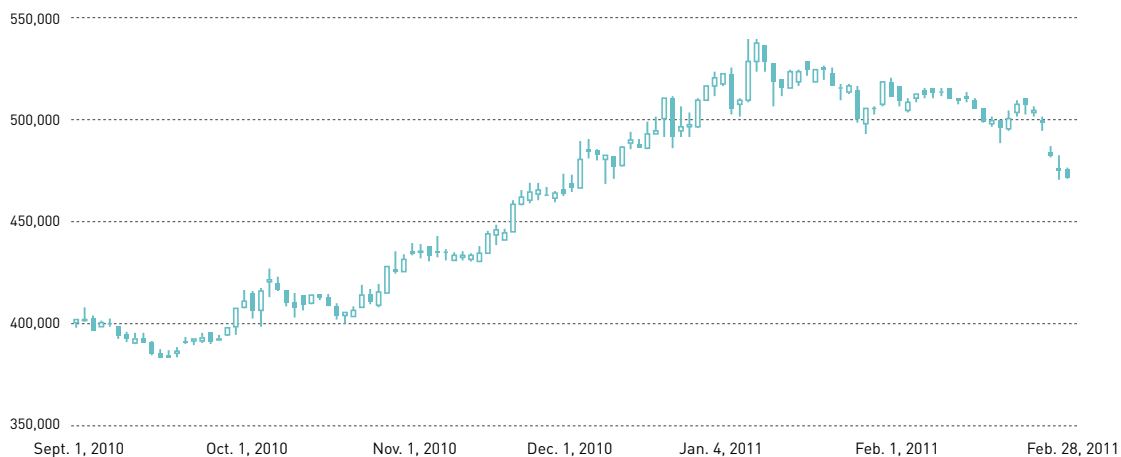
ORIX Meguro Building



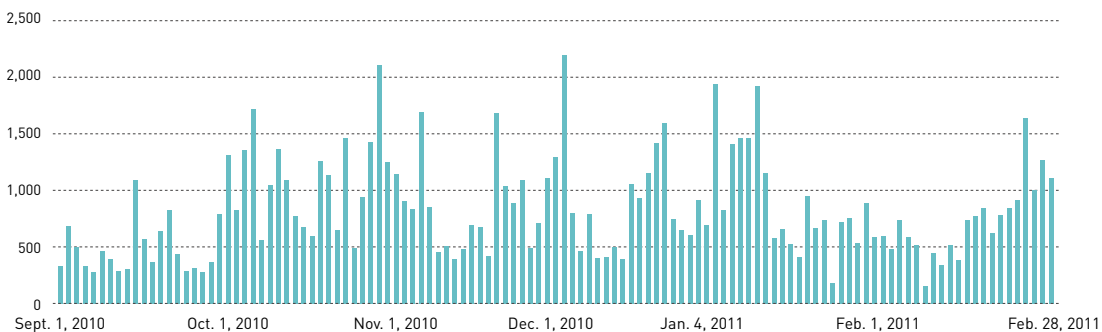
Unit Information

The changes of unit price and transaction volume on the Tokyo Stock Exchange from September 1, 2010 to February 28, 2011 (the last trading day during the period) are as follows.

Unit price (Yen)



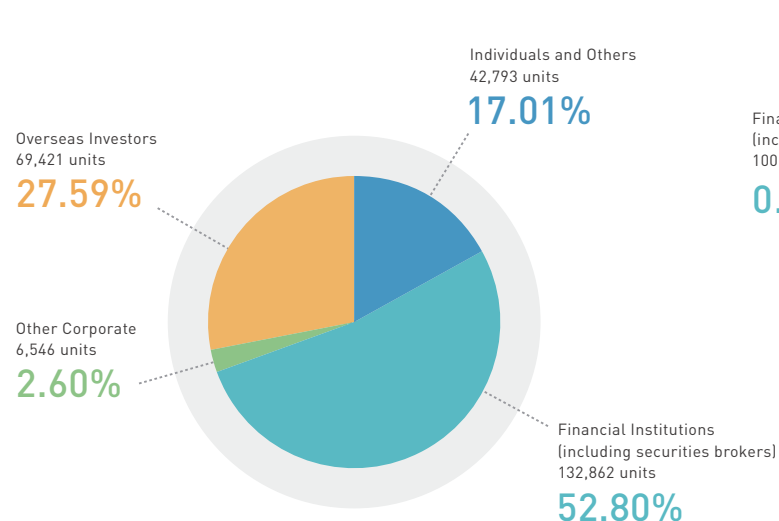
Transaction volume (Unit)



Number of units by unitholder type

(As of February 28, 2011)

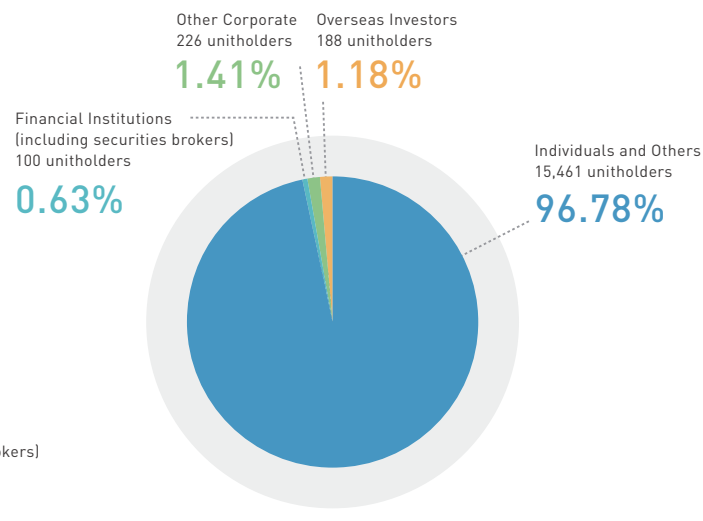
Total 251,622 units



Number of unitholders by unitholder type

(As of February 28, 2011)

Total 15,975 unitholders

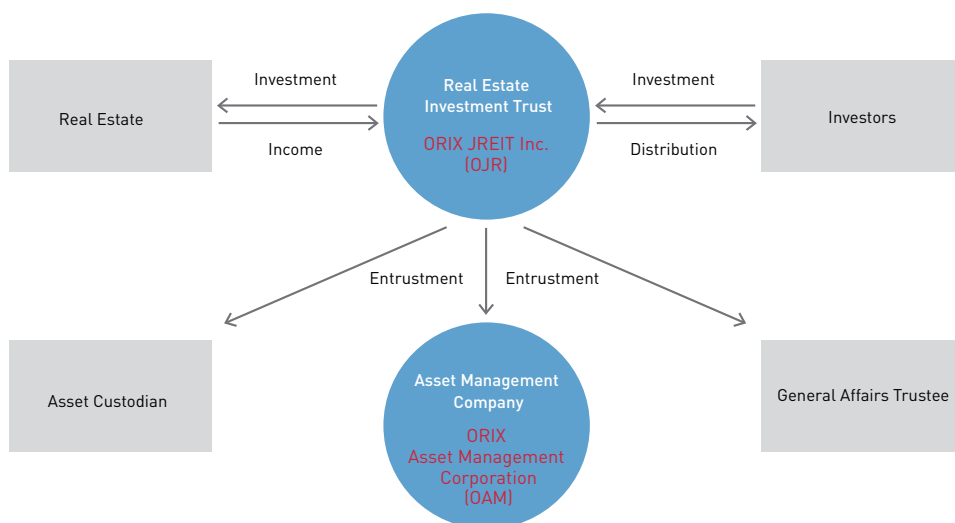


Note: Percentages in the above graphs are rounded to the second decimal place. Total amounts do not necessarily come to 100% due to rounding.

Outline of OJR and its Asset Management Company

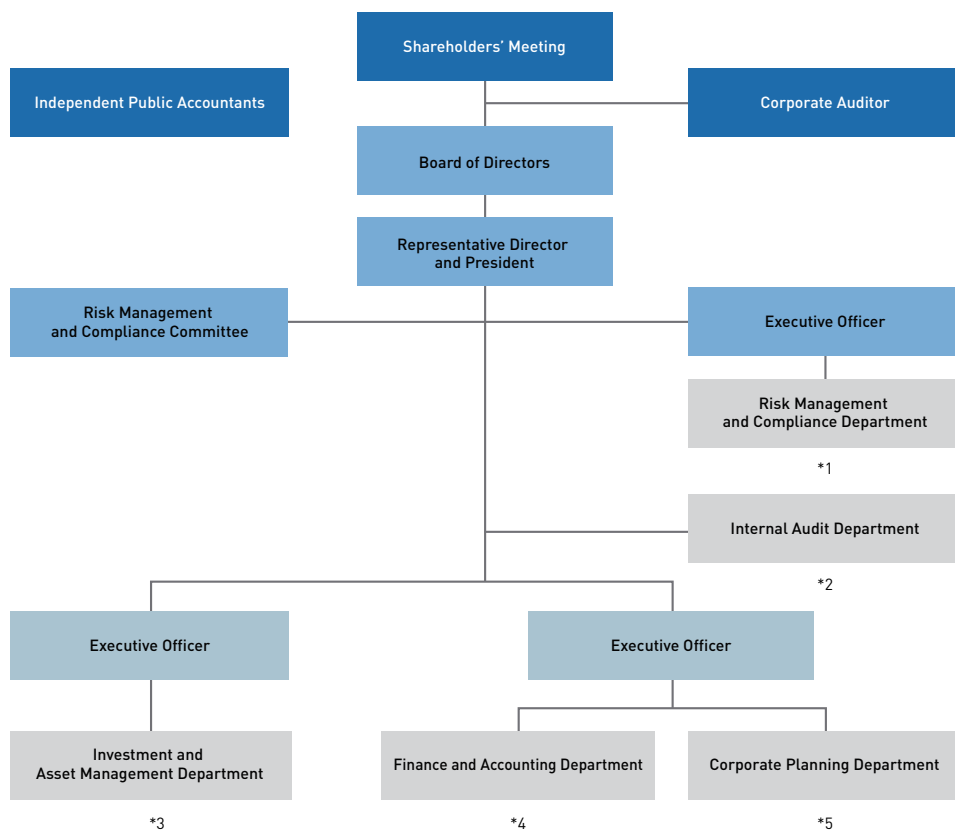
Structure

Japanese real estate investment trusts, so called J-REITs, are closed-end investment funds that primarily invest in real estate or real-estate-backed securities and deliver distribution to unitholders from rental income and capital gains from asset sales, etc. The Law Concerning Investment Trusts and Investment Corporation requires J-REITs to be managed by an external entity.



Organization of OAM

(As of April 22, 2011)



- *1
Risk Management and Compliance Department
[Major Assignments]
1. Risk management and compliance
2. Legal affairs
3. Property assessment
- *2
Internal Audit Department
[Major Assignments]
1. Conducting of internal audits
2. Formulation of audit plans
- *3
Investment and Asset Management Department
[Major Assignments]
1. Strategy planning
2. Acquisition and disposition of properties
3. Property management
4. Real estate market research
- *4
Finance and Accounting Department
[Major Assignments]
1. Accounting and tax
2. Proposals regarding debt finance
3. Accounting, tax, general affairs and personnel affairs of OAM
- *5
Corporate Planning Department
[Major Assignments]
1. Corporate planning
2. Support for committees, etc.
3. Investor relations
4. Proposals regarding equity finance

I Performance Report

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■ Administrative Expenses

■ Transaction Activities during Current Period

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■ Investment Performance Overview

1. Financial Highlights

		17th Period From March 1, 2010 to August 31, 2010	18th Period From September 1, 2010 to February 28, 2011
(In millions of yen, unless otherwise indicated)			
Operating revenues		11,702	10,741
Rental revenues		9,316	9,514
Other operating revenues		1,227	1,227
Gains on sale of real estate properties		1,159	—
Operating expenses		5,814	5,951
Property-related expenses		4,869	4,946
Loss on sale of real estate properties		—	50
Operating income		5,888	4,790
Ordinary income		4,482	3,293
Net income		4,308	3,292
Total assets	(a)	305,620	318,739
Net assets	(b)	142,122	141,373
Unitholders' capital		137,814	137,814
Total number of units issued (units)	(c)	251,622	251,622
Net assets per unit (¥)	(b)/(c)	564,825	561,847
Total cash distribution	(d)	4,041	3,292
Distribution per unit (¥)	(d)/(c)	16,061	13,083
Distribution of retained earnings per unit (¥)		16,061	13,083
Distribution in excess of retained earnings per unit (¥)		—	—
ROA (%) ⁽¹⁾		1.5(3.0)	1.1(2.1)
ROE (%) ⁽¹⁾		3.0(6.1)	2.3(4.6)
Equity ratio (%)	(b)/(a)	46.5	44.4
Payout ratio (%) ⁽¹⁾⁽⁴⁾		93.8	100.0
<i>Supplemental Information</i>			
Number of real estate properties		52	54
Number of tenants ⁽³⁾		379	408
Total rentable area (m ²) ⁽³⁾		460,677.13	490,471.44
Occupancy rate (%) ⁽³⁾⁽⁵⁾		97.0	96.2
Depreciation		2,070	2,171
Capital expenditures		79	55
NOI from property leasing activity ⁽¹⁾⁽²⁾		7,818	8,041
FFO ⁽¹⁾⁽²⁾		6,452	5,537

Notes:

- These indicators are calculated according to the following formulas.
 - ROA = Ordinary income divided by average total assets
 - ROE = Net income divided by average net assets
 - Payout ratio = Distribution per unit divided by Net income per unit
 - *Net income per unit = Net income divided by the weighted average numbers of units outstanding
 - NOI (Net Operating Income) from property leasing activity =
Rental revenues + Other operating revenues + Depreciation – Property-related expenses
 - FFO (Funds From Operation)=Net income + Depreciation

Financial data included in the field have been prepared on a 6-month basis.
However, the ratios in brackets represent annualized data.
- Rental revenues and property-related expenses include revenues from finance lease of property and cost of finance lease of property, respectively. NOI from property leasing activity and FFO are computed after adding the cost of finance lease of property.
- The number of tenants, the total rentable area, and the occupancy rate are computed, including properties recorded as investment in finance lease.
- The payout ratio is rounded down to the first decimal place.
- The occupancy rate is the proportion of rented space to the total rentable space at each period-end.
- Accounting data does not include consumption taxes.

2. Performance Review for Current Period

Major changes in the fund

During the 18th fiscal period, OJR acquired the ORE Sapporo Building (acquisition price: ¥4,250 million), Shibaura Island Bloom Tower (acquisition price: ¥5,550 million) and the Okayama Kume Retail Facility (acquisition price: ¥2,750 million); and sold Sonet Kami Ikebukuro (sales price: ¥2,146 million). As a result, OJR's portfolio included 54 properties as of February 28, 2011 (41 office buildings, 4 logistics centers, 6 retail facilities, 2 residential properties and 1 hotel), with 490,471.44 m² of total rentable floor space, 408 tenants and an occupancy rate of 96.2%. The invested amount (total of acquisition prices) was ¥311,038 million. Its book value and calculated price (appraisal value based on the evaluation by 6 appraisers) as of February 28, 2011 were ¥297,963 million and ¥285,089 million, respectively.

During the 19th fiscal period, OJR has acquired Maruetsu Sagamino (acquisition price: ¥2,350 million) and sold Round-Cross Moto Yoyogi (sales price: ¥4,807 million). These acquisition and sale brought the total number of properties to 54 and the invested amount (total of acquisition prices) to ¥308,297 million.

In the 18th Period, operating revenues were ¥10,741 million and net income was ¥3,292 million. Total cash distribution was ¥3,292 million, the distribution per unit was ¥13,083 (compared to our estimated distribution per unit of ¥12,992, a 0.7% increase), and the distribution payout ratio was 100.0%.

As of the end of the 18th Period, total assets were ¥318,739 million, total interest-bearing liabilities were ¥158,543 million (long-term debt excluding investment corporation bonds: ¥118,243 million, short-term debt: ¥13,300 million, investment corporation bonds: ¥27,000 million), net assets were ¥141,373 million, and net assets per unit were ¥561,847.

Business environment and fund performance

Japanese economy

The monthly economic report of March 2011 issued by the Japanese government stated that although the Japanese economy had been picking up, it recently showed weakness, due to the influence of the Great East Japan Earthquake, and it also remained in a difficult situation such as a high unemployment rate. Specifically, the government reported: (i) exports showing signs of picking up despite an expected decline caused by the earthquake disaster and industrial production picking up despite the recent stagnant activities due to the disaster, (ii) improving corporate profits despite a concern over the influence of the disaster and business investment picking up, (iii) overall business sentiment showing a sign of caution, (iv) continued severe employment situation with a slight sign of recovery despite a concern over the influence of the disaster, (v) private consumption showing signs of picking up despite some recent weakness due to the influence of the disaster, (vi) recent price developments showing the Japanese economy entering a mild deflationary phase.

As for short-term prospects, the same report stated that weakness would continue for a while due to the influence of the Great East Japan Earthquake. Afterwards, however, as production activities will be recovering, the economy is expected to resume picking up, reflecting improvement in overseas economies and the effects of various policy measures. There are downside risks that could stem from constraints of electric power supply, a slow recovery of the supply chain and the influence of a rise in oil prices. It should also be noted that there is still a risk of the influence of deflation on the economy and a concern about a possible deterioration of the employment situation.

Overview of the real estate market relating to our portfolio

[Sales market]

Sales in the real estate market, particularly transactions of small-sized properties, continued to be brisk in 2010, after starting to move in the second half of 2009.

This reflected the elimination of poor market sentiment following the resumption of property acquisitions by J-REITs through public offerings in the second half of 2009, investments in Japanese real estate by foreign funds, the replacement and merger of J-REIT sponsors, the buying and selling of properties between J-REITs, and a spate of investment corporation bond issuance.

Furthermore, the inclusion of J-REIT investment units as target assets of the "Asset Purchase Program" established by the Bank of Japan in October 2010 as additional monetary easing measures led to a rise in the price of J-REIT investment units, increasing further the number of public offerings for property acquisition.

In addition, the debt financing environment showed signs of improvement as the amount of new loans for the real estate (lease) industry by domestic banks exceeded that of the same period of the previous year for 4 consecutive quarters since the period ended March 2010.

In light of the above circumstances, the volume of real estate sales in central Tokyo continued to maintain a level of transactions on the upward trend seen in the second half of 2009 through the second half of 2010. Both sellers and buyers were mainly professionals (private equity funds, J-REITs, and construction and real estate companies),

and the number of transactions valued at 5.0 billion yen and over has been increasing. The increase in the number of transactions curbed the rise of cap rates, keeping the expected cap rate from office buildings flat.

[Offices]

Lease market:

•Tokyo

The amount of new office space scheduled to come on the market in the 5 Central Tokyo Wards in 2011 and 2012 is expected to remain massive, albeit less than at the time of the so-called “Year 2003 Problem.” In line with this trend, the vacancy ratio has been rising since 2007, with no signs of bottoming out. On the other hand, while rents keep falling, some consider that the movement of office relocation has not been static, rather, it is brisk.

This suggests that relocation was generally triggered by companies taking advantage of lower rents to consolidate their offices rather than for the purpose of expansion based on robust business growth. Such a trend lacks a momentum strong enough to cause the vacancy ratio to bottom out, and it is expected to take a little more time to clearly reverse the trend of the vacancy ratio.

•Osaka

As of 2010, the vacancy ratio remains over 10%, as vacant space with a total area of more than 1,000 tsubo (approx. 3,306 m²) came on the market after a number of large buildings were completed with space for rent, and many offices were relocated to their company-owned buildings. It is expected that more new large buildings will be completed in 2011 and thereafter, as well. Therefore, it is likely to take some more time for the vacancy ratio to improve, taking into consideration that the key to improvement of the office market in the Osaka area lies in how far companies with strong business performance show a positive demand for expanding their office space.

•Nagoya

The year 2010 witnessed signs of improvement in the vacancy ratio. The main reason for the relocation of tenants was cost reduction, but there were also some newly established offices and an increased demand for floor space by existing tenants within the same building.

In the Nagoya area, it is unlikely that the supply-demand balance will deteriorate significantly as the new supply of office properties coming on the market in 2011 and 2012 will be limited. Recovery of rental income depends on the degree of improvement in the supply-demand gap of the market while the supply is low. Therefore, it will take some time for rental income to recover.

•Sendai

Following a succession of completions of new buildings, the market focus has shifted to the activities of tenant companies. As a result, there is a clear polarization between those buildings in which vacancies gradually declined and those suffering an increase in new vacancies.

At present, it is a renters' market on the back of an average vacancy ratio of almost 20%. It is expected that the situation of excess vacancies will continue as three more buildings are scheduled for completion in 2011.

•Sapporo

The trend of tenants cutting cost and reducing their use of office space continues, which consequently leads to a contraction of the rental market.

However, the absorption of relocation demand from peripheral and suburban areas can be observed as there is an increased number of buildings for which the rent levels have been adjusted.

As a whole, the cost-oriented trend continues, and it is expected that the tough situation will persist until the supply-demand balance improves.

[Logistics Facilities]

Demand for logistics continues to expand moderately, supported by growing corporate activities and the expansion of imports and exports. While transportation volume by cargo trucks continued to recover in the first half of 2010, it turned downward in the second half, accompanied by the slowdown in the recovery of air cargo transportation. However, at present, exports have been rebounding on the back of the strong economies of neighboring Asian countries, and corporate business performance also continues to improve. Therefore, it is forecast that demand for logistics will maintain its robust trend for the foreseeable future.

As companies are implementing the streamlining of logistics, it is expected that relocation demands will surface as a result of the consolidation of business locations, and the demand for logistics will consistently recover, while the improvement of the supply-demand balance will be moderate due to supply of new logistics facilities being expected to increase.

[Retail Facilities]

While sales by large retailers remained sluggish in 2010, there have been signs of a bottoming out. In October

2010, sales turned profitable on a year-on-year basis for the first time since the financial crisis that started in the U.S. While the severe situation is likely to continue, the amount of new retail space is limited amid the subdued sales, indicating that selling floor efficiency is anticipated to improve.

Furthermore, the reduction of personnel expenses and purchasing costs through the development of PB products continues to be implemented. It is believed that there will be more tenants capable of paying rents through cost-cutting efforts if sales can be maintained at this level under these circumstances. It is critical for the real estate operators to carefully observe the capacity of tenants to pay rents under conditions in which a significant growth in sales can hardly be expected.

[Residential Properties]

The supply-demand balance for rental apartments in the Tokyo 23 wards on the near term basis has been improving due to the limited new supply and rent adjustments. There are some areas where rents remain flat.

Due to the sluggish economy, the demand for rental apartments moved from central Tokyo to the peripheral areas, resulting in a decline in the occupancy rate in central Tokyo. Responding to that situation, rent levels have been adjusted in central Tokyo since 2009, narrowing the gap with those in the peripheral areas. As a result, the decline in occupancy rate slowed down, halting the drop in rents. However, unless potential tenants become more capable of paying the rents, it cannot be forecast that rent levels will recover.

New acquisitions

As of April 22, 2011

<p>ORE Sapporo Building</p>	<p>Acquisition price: ¥4,250 million Acquisition date: October 1, 2010</p> <p>This property is located in Chuo Ward in Sapporo City, which is home to a large number of government offices, financial institutions and branches of major companies, making it not only the largest business district in Hokkaido but also the prefecture's center of politics, economy, commerce and culture. The property is located about a four-minute walk from Sapporo Station on the Sapporo City Subway, a roughly five-minute walk from Odori Station, and a nine-minute walk from JR Sapporo Station, making it easily accessible. Completed in November 2008, this property is a new office building with 12 floors above ground. Standard floors have roughly 314 tsubo (approx. 1,038 m²) of rental space. With pillar-free floors, featuring easy-to-use rectangular rooms, a ceiling height of 2,800 mm and a raised access floor of 100 mm, it offers a spacious rental area. In addition, the property boasts favorable characteristics including the option to divide a single floor into up to 10 subsections, separate air-conditioning systems, an automatic security system and parking space for a total of 70 cars.</p>
<p>Shibaura Island Bloom Tower</p>	<p>Acquisition price: ¥5,550 million Acquisition date: January 31, 2011</p> <p>This property consists of two buildings, Bloom Tower, residential units for rent, and Bloom Homes, a private nursing home and dedicated residential rental units for elderly people. It is located about a nine-minute walk from JR Tamachi Station, a ten-minute walk from Shibaurafuto Station on the Yurikamome Line, and an eleven-minute walk from Mita Station on the Tokyo Metropolitan Subway. It is located in the Shibaura Island district, an area offering easy access to business and commercial centers in central Tokyo. Completed in 2008, the 48-story Bloom Tower is a recently-built high-rise residential building. It has a total of 964 rentable units that offers a variety of floor plans from studio units to "4LDK" units (consisting of a separate living room, dining room, kitchen and 4 bedrooms). Common facilities such as lounge areas are available and excellent services such as a concierge service and around-the-clock manned property management are also available. The 9-story Bloom Homes consists of a full-care private nursing home, dedicated residential units for elderly people and a clinic mall. The whole building is leased out to ORIX Real Estate Corporation.</p>

<p>Okayama Kume Retail Facility</p>	<p>Acquisition price: ¥2,750 million Acquisition date: January 31, 2011</p> <p>This property is located in Okayama City, Okayama Prefecture. Thanks to an influx of young families, this area has boasted the highest population growth in Okayama City throughout the period since the end of World War II, and thus offers great market potential. Facing a main road it is highly visible and easily accessible by car. Mr Max Corporation, a major discount chain is housed in the main building as an anchor tenant, and there it operates a supercenter business. The main building also houses Himaraya, a major sporting goods retail chain. In addition, Hatada, a long-established Japanese-style confectionery is housed in the Annex.</p>
<p>Maruetsu Sagamino</p>	<p>Acquisition price: ¥2,350 million Acquisition date: March 1, 2011</p> <p>This property is located in the Sagamino area, Kanagawa Prefecture, a growing commuter town of Yokohama and Tokyo. The property is located about a four-minute walk from Sagamino Station, It also faces a main road connected to the area in front of the station, offering high visibility and easy access by car. These locational advantages will help attract a large number of shoppers to this local mall. Completed in November 2005, this property is a retail facility equipped with single-level parking lots capable of housing 214 cars, bicycle-parking area, as well as a roofed pedestrian walkway. The entire property is leased out under a long-term lease agreement to The Maruetsu Inc., a supermarket chain operator in the greater Tokyo area.</p>

Financing activities

[In the 18th Period]

OJR is aiming for a strategic approach towards unsecured loans, switching to fixed-interest rate loans, diversifying repayment periods, and reducing fund procurement cost in line with the monetary environment.

As such, the following financing activities were implemented.

Debt Finance:

OJR procured ¥7,000 million in long term loans (fixed rate, unsecured) from several financial institutions on September 21, 2010 for the repayment of long term loans approaching their due dates. On October 1, 2010, OJR procured ¥3,800 million in short term loans (floating rate, unsecured) based on the commitment line for the purchase of the ORE Sapporo Building. Furthermore, OJR procured ¥1,000 million in long term loans (fixed rate, unsecured) on November 5, 2010 from THE SHIZUOKA BANK, LTD. to fund the refinancing of loans. OJR established a new ¥5,000 million commitment line with Aozora Bank, Ltd. on December 29, 2010. On January 31, 2011, OJR procured ¥5,000 million in short term loans (floating rate, unsecured) based on the commitment line for the purchase of Shibaura Island Bloom Tower. OJR renewed and extended the terms of its commitment lines, including a reduction in the amount, resulting in a loan balance standing at ¥13,300 million as of February 28, 2011. Finally, OJR issued its third unsecured investment corporation bonds in the amount of ¥5,000 million on November 18, 2010 with a redemption term of five years, and its fourth unsecured investment corporation bonds in the amount of ¥5,000 million on January 27, 2011 with a redemption term of three years.

As a result, as of February 28, 2011, loans outstanding stood at ¥131,543 million and investment corporation bonds stood at ¥27,000 million, and interest-bearing debt totaled ¥158,543 million. The interest-bearing debt ratio was 53.5%, the fixed-rate debt ratio was 89.4%, and the long-term debt (except long term debt due within one year) ratio was 71.3%.

[Rating agency and Details of ratings]

OJR's credit ratings as of April 22, 2011 were as shown below.

Rating agency	Details of ratings
Standard & Poor's Ratings Japan K.K.	Long-term corporate credit rating: A- Short-term corporate credit rating: A-2 Outlook: Stable
Rating and Investment Information, Inc.	Issuer rating: A+ Rating outlook: Stable
Japan Credit Rating Agency, Ltd.	Long-term senior debt ratings: AA- Rating outlook: Stable

[In the 19th Period (ending August 2011)]

Equity Finance:

The issuance of new investment units was resolved at OJR's board of directors' meetings held on May 9, 2011 and May 18, 2011. The publicly offered new investment units, the proceeds of which were received in full on May 25, 2011, were issued under the following conditions. The closing date for new investment units issued through third party allotment (with over-allotment option) is scheduled for June 24, 2011.

Note: Some or all of the investment units offered for sale under third party allotment may not be subscribed to, resulting in a decrease in the number of investment units issued or no investment units being issued at all.

Debt Finance:

OJR took out ¥13,300 million in short term loans (floating rate, unsecured) based on the commitment line on March 1, 2011 for the refinancing of short term loans. Furthermore, OJR took out ¥13,300 million in long term loans (fixed rate, unsecured) on March 30, 2011 for the refinancing of short term loans and ¥17,000 million in long term loans (fixed rate, unsecured) on April 27, 2011 for the refinancing of long term loans, from several financial institutions, respectively.

Financial results and distribution

OJR recorded operating revenues of ¥10,741 million and net income of ¥3,292 million for this period ended February 28, 2011.

The distribution per unit was ¥13,083 nearly equal to the unappropriated profits per unit (fractions omitted), so that the distribution in cash can be tax-deductible under Article 67-15 of the Special Taxation Measures Law, which requires a payout ratio of more than 90%.

■ Fund Overview

1. Capitalization

Paid-in capital

During the 18th period (the six months ended February 28, 2011), OJR carried out no capital increase, and there was thus no change in the number of investment units issued and outstanding, or in the amount of paid-in capital. The following table shows capital increases carried out in recent five years.

Date	Remarks	Investment Units Outstanding		Paid-in Capital (In millions of yen)	
		Increase	Balance	Increase	Balance
October 3, 2007	Additional Issuance of Units ⁽¹⁾	25,000	250,372	16,147	137,007
October 30, 2007	Third party allotment ⁽²⁾	1,250	251,622	807	137,814

Notes:

1. Third public equity offering of 25,000 new units at ¥668,360 per unit (issue price per unit was ¥645,854) to repay debt.
2. Along with the public offering of note 1, additional 1,250 units were allocated through private placement at ¥645,854 per unit.

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 17th and 18th periods are shown below in yen:

	From March 1, 2010 to August 31, 2010	From September 1, 2010 to February 28, 2011
High	465,000	537,000
Low	370,500	383,000

Overview of borrowings

(In millions of yen)

Category	Lender	Balance at beginning of the period	Balance at the period end	Average Interest rate (%) (1)	Due on	Use of funds	Repayment method	Note
Short-term loan (6)	The Sumitomo Trust and Banking Company, Limited	4,000	—	Floating rate 1.19000% (2)	October 21, 2010	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	4,000	—					
	Mizuho Corporate Bank, Ltd.	2,000	—					
	Subtotal	10,000	—					
Short-term loan (7)	The Sumitomo Trust and Banking Company, Limited	—	—	Floating rate 1.16920% (2)	October 21, 2010	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	—					
	Mizuho Corporate Bank, Ltd.	—	—					
	Subtotal	—	—					
Short-term loan (8)	The Sumitomo Trust and Banking Company, Limited	—	—	Floating rate 1.18000% (2)	November 22, 2010	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	—					
	Mizuho Corporate Bank, Ltd.	—	—					
	Subtotal	—	—					
Short-term loan (9)	The Sumitomo Trust and Banking Company, Limited	—	—	Floating rate 1.14067% (2)	December 1, 2010	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	—					
	Mizuho Corporate Bank, Ltd.	—	—					
	Subtotal	—	—					
Short-term loan (10)	The Sumitomo Trust and Banking Company, Limited	—	—	Floating rate 1.21000% (2)	February 1, 2011	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	—					
	Mizuho Corporate Bank, Ltd.	—	—					
	Subtotal	—	—					
Short-term loan	The Sumitomo Trust and Banking Company, Limited	—	2,000	Floating rate 1.18258% (2)	March 1, 2011	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	2,000					
	Mizuho Corporate Bank, Ltd.	—	1,000					
	Subtotal	—	5,000					
Short-term loan	The Sumitomo Trust and Banking Company, Limited	—	3,320	Floating rate 1.18000% (2)	March 1, 2011	(3)	Bullet payment	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	3,320					
	Mizuho Corporate Bank, Ltd.	—	1,660					
	Subtotal	—	8,300					
Short-term loan total		10,000	13,300					
Long-term loan (term loan 10) (11)	Sumitomo Mitsui Banking Corporation	2,000	—	Fixed rate 1.54438% (2)	September 21, 2010 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	2,000	—					
	The Sumitomo Trust and Banking Company, Limited	1,500	—					
	Mizuho Corporate Bank, Ltd.	1,000	—					
Subtotal	6,500	—						
Long-term loan (12)	THE SHIZUOKA BANK, LTD.	1,000	—	Fixed rate 1.51500%	November 5, 2010 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu

(In millions of yen)

Category	Lender	Balance at Beginning of the period	Balance at the period end	Average Interest rate (%) (1)	Due on	Use of funds	Repayment method	Note
Long-term loan (term loan 5)	The Sumitomo Trust and Banking Company, Limited	4,000	4,000	Fixed rate 1.99541% (2)	April 27, 2011 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	3,500	3,500					
	Resona Bank, Limited.	2,300	2,300					
	Mitsubishi UFJ Trust and Banking Corporation	1,400	1,400					
	MITSUI LIFE INSURANCE COMPANY LIMITED	1,400	1,400					
	The Chiba Bank, Ltd.	1,400	1,400					
	The Hyakugo Bank, Ltd.	1,000	1,000					
	Aozora Bank, Ltd.	1,000	1,000					
	TAIYO LIFE INSURANCE COMPANY	1,000	1,000					
	Subtotal	17,000	17,000					
Long-term loan (term loan 9)	Mitsubishi UFJ Trust and Banking Corporation	4,000	4,000	Fixed rate 1.83429% (2)	June 27, 2011 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	4,000	4,000					
	The Sumitomo Trust and Banking Company, Limited	4,000	4,000					
	Mizuho Corporate Bank, Ltd.	3,000	3,000					
	Subtotal	15,000	15,000					
Long-term loan (term loan 7)	The Sumitomo Trust and Banking Company, Limited	6,000	6,000	Fixed rate 1.78543% (2)	March 19, 2012 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	5,500	5,500					
		Subtotal	11,500					
Long-term loan (term loan 8)	The Norinchukin Bank	8,500	8,500	Fixed rate 1.78543%	March 19, 2012 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan (term loan 11)	Sumitomo Mitsui Banking Corporation	2,000	2,000	Fixed rate 1.84365% (2)	September 19, 2012 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	1,000	1,000					
	The Sumitomo Trust and Banking Company, Limited	2,000	2,000					
		Subtotal	5,000					
Long-term loan (term loan 12)	The Sumitomo Trust and Banking Company, Limited	4,000	4,000	Fixed rate 1.71069% (2)	September 19, 2012 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	THE BANK OF FUKUOKA, LTD.	3,000	3,000					
		Subtotal	7,000					
Long-term loan (term loan 13)	The Shinkumi Federation Bank	3,000	3,000	Floating rate 1.24000% (2)	September 19, 2012 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	The Toho Bank, Ltd.	500	500					
		Subtotal	3,500					
Long-term loan	National Mutual Insurance Federation of Agricultural Cooperatives	3,000	3,000	Fixed rate 1.39875%	September 20, 2012 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan (term loan 14)	Mitsubishi UFJ Trust and Banking Corporation	1,000	1,000	Fixed rate 1.68798% (2)	March 19, 2013 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	The Sumitomo Trust and Banking Company, Limited	2,500	2,500					
	Sumitomo Mitsui Banking Corporation	4,200	4,200					
	ORIX Trust and Banking Corporation	3,500	3,500					
	Mizuho Corporate Bank, Ltd.	1,800	1,800					
	The Shinkumi Federation Bank	1,000	1,000					
	Subtotal	14,000	14,000					
Long-term loan	THE FUJI FIRE AND MARINE INSURANCE COMPANY, LIMITED	1,000	1,000	Fixed rate 1.69052%	March 26, 2013 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan	National Mutual Insurance Federation of Agricultural Cooperatives	7,000	7,000	Fixed rate 2.19625%	April 26, 2013 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan	3,000	3,000	Fixed rate 1.94223%	July 31, 2013 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu

(In millions of yen)

Category	Lender	Balance at beginning of the period	Balance at the period end	Average Interest rate (%) (1)	Due on	Use of funds	Repayment method	Note
Long-term loan (term loan 15)	Sumitomo Mitsui Banking Corporation	—	2,000	Fixed rate 1.45730% (2)	September 24, 2013 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	—	2,000					
	The Sumitomo Trust and Banking Company, Limited	—	1,500					
	Mizuho Corporate Bank, Ltd.	—	1,000					
	ShinGinko Tokyo, Limited	—	500					
	Subtotal	—	7,000					
Long-term loan	THE SHIZUOKA BANK, LTD.	—	1,000	Fixed rate 1.36000%	November 5, 2013 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan	4,812	4,687	Fixed rate 2.01000%	September 18, 2014 (4) (5)	(3)	Installment payment (4) (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Banking Corporation	5,056	5,056	Fixed rate 1.93100%	June 17, 2015 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan	5,000	5,000	Fixed rate 1.69875%	July 29, 2015 (5)	(3)	Bullet payment (5)	Un-Secured, Non-guaranteed, Pari passu
Long-term loan total		117,868	118,243					
Grand total of short-term and long-term loan		127,868	131,543					

Notes:

- The average interest rate is the weighted-average one based on debt amounts at the end of the period. The average interest rate relating to the debt hedged by an interest rate swap for the purpose of avoiding interest rate volatility risk is the weighted-average interest rate after reflecting the effect of the relevant interest rate swap.
- Same terms and conditions, including interest rates and maturities, apply to each lender of each debt category.
- All borrowings have been used to finance the acquisitions of real estate and real estate held in trust, or to refinance other debts.
- Installment payments of ¥62,500,000 will be made on the 20th day of every third month starting on December 20, 2009, with the remaining payment of ¥3,812,500,000 at maturity on September 18, 2014.
- The following table shows the total amounts of long-term loan to be repaid for each year:

(In millions of yen)

	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years
Long-term loan	32,250	38,750	33,250	3,937	10,056

- OJR fully repaid short-term loan of ¥10,000 million on October 21, 2010.
- OJR fully repaid short-term loan of ¥3,800 million on October 21, 2010.
- OJR fully repaid short-term loan of ¥13,300 million on November 22, 2010.
- OJR fully repaid short-term loan of ¥13,300 million on December 1, 2010.
- OJR fully repaid short-term loan of ¥8,300 million on February 1, 2011.
- OJR fully repaid long-term loan (term loan 10) of ¥6,500 million on September 21, 2010.
- OJR fully repaid long-term loan of ¥1,000 million on November 5, 2010.

Overview of bonds

(In millions of yen)

Bond name	Issue date	Balance at beginning of the period	Balance at the period end	Coupon (%)	Maturity date	Redemption	Use of proceeds	Note
The 1st unsecured bonds	February 25, 2010	12,000	12,000	2.08	February 25, 2013	Bullet payment	(1)	(4)
The 2nd unsecured bonds	August 12, 2010	5,000	5,000	1.44	August 12, 2014	Bullet payment	(2)	(4)
The 3rd unsecured bonds	November 18, 2010	—	5,000	1.58	November 18, 2015	Bullet payment	(3)	(4)
The 4th unsecured bonds	January 27, 2011	—	5,000	1.40	January 27, 2014	Bullet payment	(1)	(4)
Total		17,000	27,000					

Notes:

- The bonds have been used to finance the acquisitions of real estate and real estate held in trust.
- The bonds have been used to finance the acquisitions of real estate and real estate held in trust, and to refinance

other debts.

3. The bonds have been used to refinance other debts.

4. The bonds were issued with pari passu conditions among specified investment corporation bonds.

2. Major unitholders

(As of February 28, 2011)

Name	Number of Units Owned	Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	30,077	11.95
The Nomura Trust and Banking Co., Ltd (Investment accounts)	21,803	8.66
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	16,333	6.49
STATE STREET BANK AND TRUST COMPANY	10,569	4.20
ORIX Life Insurance Corporation	8,905	3.53
AIG Star Life Insurance Co., Ltd. General account	5,656	2.24
The Master Trust Bank of Japan, Ltd. (Trust accounts)	5,554	2.20
NOMURA BANK (LUXEMBOURG) S.A.	4,855	1.92
American Life Insurance Company GAL	4,000	1.58
National Mutual Insurance Federation of Agricultural Cooperatives	3,901	1.55
Total	111,653	44.37

Note: Ratio of ownership, rounded down to the second decimal place, may not add up to totals due to rounding.

3. Unitholder Type

(As of February 28, 2011)

Unitholder type	Number of Unitholders	%	Number of Units	%
Domestic	15,787	98.82	182,201	72.41
Individuals and Others	15,461	96.78	42,793	17.01
Financial Institutions	100	0.63	132,862	52.80
Bank	21	0.13	19,358	7.69
Trust Bank	13	0.08	75,514	30.01
Life Insurance	9	0.06	21,113	8.39
Fire and Marine Insurance	3	0.02	5,474	2.18
Securities Brokers	26	0.16	4,262	1.69
Other Financial institutions	28	0.18	7,141	2.84
Other Corporate	226	1.41	6,546	2.60
Overseas	188	1.18	69,421	27.59
Total	15,975	100.00	251,622	100.00

Note: Individual ratio, rounded to the second decimal place, may not add up to totals due to rounding.

■ Portfolio Overview

1. Portfolio Summary

(As of February 28, 2011)

Asset Type	Area / Type		Amount ⁽¹⁾ (In millions of yen)	Percentage of total assets ⁽²⁾ (%)
Real Estate and Real Estate Held in Trust	6 Central Tokyo Wards	Offices	146,343	45.91
		Logistics Facilities	—	—
		Retail Facilities	4,971	1.56
		Residential Properties	6,706	2.10
		Others	—	—
	Remaining Tokyo Wards	Offices	34,780	10.91
		Logistics Facilities	—	—
		Retail Facilities	—	—
		Residential Properties	—	—
		Others	—	—
	Other Parts of the Greater Tokyo Area	Offices	14,003	4.39
		Logistics Facilities	21,188	6.65
		Retail Facilities	7,567	2.37
		Residential Properties	—	—
		Others	11,792	3.70
	Other Areas	Offices	34,469	10.81
		Logistics Facilities	10,040	3.15
		Retail Facilities	6,104	1.91
		Residential Properties	—	—
		Others	—	—
Deposits and Other Assets			20,776	6.52
Total Assets			318,739	100.00

Notes:

1. Amounts are the book values as of the end of February 2011, after subtracting the accumulated depreciation. The amounts include the book value of property accounted for as investment in finance lease.
2. Percentage of total assets is rounded to the second decimal place. Individual numbers may not add up to 100% due to rounding.

2. Selected Property Data

(As of February 28, 2011)

	Area	Property Name	Total Rentable Area (㎡)	Appraisal Value ⁽¹⁾ (In millions of yen)	Share in Appraisal Value ⁽²⁾ (%)	Book Value (In millions of yen)	Share in Book Value ⁽²⁾⁽³⁾ (%)
Offices	6 central Tokyo Wards	Aoyama Suncrest Building	2,768.55	3,800	1.33	3,492	1.10
		Round-Cross Ichi-bancho	3,300.66	3,950	1.39	3,525	1.11
		Round-Cross Moto Yoyogi	7,723.68	4,820	1.69	4,393	1.38
		Round-Cross Nishi Shinjuku	1,227.51	2,600	0.91	2,525	0.79
		Beside Shirogane	2,072.78	1,360	0.48	1,272	0.40
		DT Gaien	2,571.73	2,050	0.72	2,289	0.72
		Nihonbashi East Building	2,242.71	1,170	0.41	1,587	0.50
		Yoyogi Forest Building	1,909.30	1,270	0.45	1,438	0.45
		Round-Cross Minami Azabu	3,170.48	1,297	0.45	1,266	0.40
		Round-Cross Akasaka	2,787.18	2,479	0.87	2,824	0.89
		Round-Cross Mita	2,296.61	1,379	0.48	1,688	0.53
		Shiba Daimon Building	2,588.50	2,024	0.71	2,168	0.68
		Round-Cross Tsukiji	3,997.45	3,606	1.26	3,137	0.98
		ORIX Shiba 2-chome Building	6,753.13	7,889	2.77	6,806	2.14
		Aoyama 246 Building	2,406.22	7,025	2.46	5,424	1.70
		Round-Cross Shinjuku	4,736.19	8,150	2.86	7,833	2.46
		Seafort Square Center Building	22,024.93	14,580	5.11	17,272	5.42
		ORIX Akasaka 2-chome Building	10,296.05	19,360	6.79	21,131	6.63
		Round-Cross Shinjuku 5-chome	3,089.29	3,060	1.07	4,289	1.35
		Nihonbashi Honcho 1-chome Building	5,099.70	8,210	2.88	10,173	3.19
		ST WORLD Building	1,550.86	2,870	1.01	3,448	1.08
		ORIX Suidobashi Building	2,087.65	2,510	0.88	2,938	0.92
		ORIX Shinagawa Building	5,618.88	10,700	3.75	15,019	4.71
		ORIX Real Estate Nishi Shinjuku Building	7,059.20	12,200	4.28	13,632	4.28
		OX Tamachi Building	6,166.99	6,730	2.36	6,774	2.13
				Subtotal	115,546.23	135,089	47.38

	Area	Property Name	Total Rentable Area (㎡)	Appraisal Value ⁽¹⁾ (In millions of yen)	Share in Appraisal Value ⁽²⁾ (%)	Book Value (In millions of yen)	Share in Book Value ⁽²⁾⁽³⁾ (%)
Offices	Remaining Tokyo Wards	Carrot Tower	6,937.21	5,730	2.01	4,435	1.39
		Toyo MK Building	9,815.95	5,090	1.79	4,377	1.37
		Beside Kiba	4,804.28	2,890	1.01	2,194	0.69
		ORIX Ikebukuro Building	5,539.92	10,140	3.56	8,794	2.76
		Round-Cross Kamata	7,855.74	5,886	2.06	5,421	1.70
		KN Jiyugaoka Plaza	1,231.44	2,740	0.96	3,151	0.99
		ORIX Meguro Building	6,119.61	6,490	2.28	6,408	2.01
		Subtotal	42,304.15	38,966	13.67	34,780	10.91
	Other Parts of the Greater Tokyo Area	Neo City Mitaka	4,621.59	3,020	1.06	1,990	0.62
		Round-Cross Kawasaki	5,521.52	5,034	1.77	3,950	1.24
		Omiya Miyacho Building	4,062.92	4,330	1.52	4,303	1.35
		Omiya Shimocho 1-chome Building	4,912.79	3,810	1.34	3,760	1.18
	Subtotal	19,118.82	16,194	5.68	14,003	4.39	
	Other Areas	Nagoya Itochu Building	11,208.24	4,380	1.54	4,979	1.56
		ORIX Koraibashi Building	6,861.91	4,402	1.54	5,048	1.58
		Lunar Sendai	9,954.78	4,670	1.64	8,043	2.52
		ORIX Nagoya Nishiki Building	10,256.69	7,850	2.75	12,117	3.80
		ORE Sapporo Building	11,672.41	4,278	1.50	4,282	1.34
		Subtotal	49,954.03	25,580	8.97	34,469	10.81
	Offices Total	226,923.23	215,829	75.71	229,595	72.03	
	Logistics Facilities	Other Parts of the Greater Tokyo Area	Koshigaya Logistics Center	19,200.00	3,431	1.20	3,756
Toda Logistics Center			36,158.60	8,730	3.06	9,354	2.93
Ichikawa Logistics Center			37,456.96	7,410	2.60	8,078	2.53
Subtotal			92,815.56	19,571	6.86	21,188	6.65
Other Areas		Sakai Logistics Center North Building	64,004.80	10,200	3.58	10,040	3.15
Subtotal	64,004.80	10,200	3.58	10,040	3.15		
Logistics Facilities Total	156,820.36	29,771	10.44	31,228	9.80		
Retail Facilities	6 central Tokyo Wards	Nihon Jisho Minami Aoyama Building	985.36	3,336	1.17	2,510	0.79
		CUBE Daikanyama	899.82	2,466	0.86	2,461	0.77
		Subtotal	1,885.18	5,802	2.04	4,971	1.56
	Other Parts of the Greater Tokyo Area	aune Kohoku	5,706.72	4,000	1.40	3,982	1.25
		aune Makuhari	5,749.05	3,600	1.26	3,585	1.12
	Subtotal	11,455.77	7,600	2.67	7,567	2.37	
	Other Areas	Kobe Momoyamadai Shopping Center(Site)	42,123.17	3,200	1.12	3,311	1.04
		Okayama Kume Retail Facility	11,822.08	2,764	0.97	2,793	0.88
Subtotal	53,945.25	5,964	2.09	6,104	1.91		
Retail Facilities Total	67,286.20	19,366	6.79	18,642	5.85		
Residential	6 central Tokyo Wards	Park Axis Nishi Azabu Stage	1,337.31	933	0.33	1,102	0.35
		Shibaura Island Bloom Tower	12,263.80	5,690	2.00	5,604	1.76
		Subtotal	13,601.11	6,623	2.32	6,706	2.10
Residential Total	13,601.11	6,623	2.32	6,706	2.10		
Others	Other Parts of the Greater Tokyo Area	Cross Gate	25,840.54	13,500	4.74	11,792	3.70
		Subtotal	25,840.54	13,500	4.74	11,792	3.70
		Others Total	25,840.54	13,500	4.74	11,792	3.70
Grand Total	490,471.44	285,089	100.00	297,963	93.48		

Notes:

1. Tanizawa Sogo Appraisal Co., Ltd., Chuo Real Estate Appraisal Co., Ltd., Morii Appraisal & Investment Consulting, Inc., JAPAN REAL ESTATE INSTITUTE, Japan Valuers Co., Ltd. and DAIWA REAL ESTATE APPRAISAL Co., LTD. conducted appraisals.
2. Share in appraisal value and share in book value is rounded to the second decimal place, and may not add up to total amount due to rounding.
3. Individual figures for shares in book value do not add up to 100%, since book value represents total assets as of February 28, 2011 (¥318,739 million) which include those other than property.
4. The table shown above includes figures for property accounted for as investment in finance lease. Also, the book value includes the amount of investment in finance lease recorded on the balance sheet.

3. Selected Financial Data by Property

(For the period ended February 28, 2011)

	Area	Property Name	Number of Tenants ⁽¹⁾	Occupancy Rate ⁽¹⁾⁽²⁾ (%)	Revenue (In millions of yen)	Share in Revenue ⁽²⁾ (%)	
Offices	6 central Tokyo Wards	Aoyama Suncrest Building	4	96.0	153	1.4	
		Round-Cross Ichi-bancho	5	89.3	132	1.2	
		Round-Cross Moto Yoyogi	2	100.0	-(³)	-(³)	
		Round-Cross Nishi Shinjuku	9	100.0	85	0.8	
		Beside Shirogane	15	100.0	60	0.6	
		DT Gaien	3	100.0	87	0.8	
		Nihonbashi East Building	7	100.0	52	0.5	
		Yoyogi Forest Building	10	99.4	54	0.5	
		Round-Cross Minami Azabu	4	94.6	73	0.7	
		Round-Cross Akasaka	13	100.0	101	0.9	
		Round-Cross Mita	4	98.0	61	0.6	
		Shiba Daimon Building	1	100.0	-(³)	-(³)	
		Round-Cross Tsukiji	9	99.0	156	1.4	
		ORIX Shiba 2-chome Building	3	100.0	310	2.9	
		Aoyama 246 Building	10	100.0	192	1.8	
		Round-Cross Shinjuku	7	94.3	254	2.4	
		Seafort Square Center Building	30	83.5	797	7.4	
		ORIX Akasaka 2-chome Building	10	71.8	456	4.2	
		Round-Cross Shinjuku 5-chome	9	91.4	92	0.9	
		Nihonbashi Honcho 1-chome Building	3	100.0	234	2.2	
	ST WORLD Building	1	100.0	-(³)	-(³)		
	ORIX Suidobashi Building	1	100.0	-(³)	-(³)		
	ORIX Shinagawa Building	8	100.0	334	3.1		
	ORIX Real Estate Nishi Shinjuku Building	1	100.0	-(³)	-(³)		
	OX Tamachi Building	11	95.2	250	2.3		
	Subtotal			180	93.0	-(³)	-(³)
	Remaining Tokyo Wards	Carrot Tower	8	100.0	269	2.5	
Toyo MK Building		9	100.0	249	2.3		
Beside Kiba		5	87.2	109	1.0		
ORIX Ikebukuro Building		3	100.0	335	3.1		
Round-Cross Kamata		6	94.9	231	2.1		
KN Jiyugaoka Plaza		5	100.0	80	0.7		
ORIX Meguro Building		9	93.5	231	2.1		
Subtotal			45	96.7	1,504	14.0	
Other Parts of the Greater Tokyo Area	Neo City Mitaka	7	100.0	160	1.5		
	Round-Cross Kawasaki	12	100.0	199	1.8		
	Omiya Miyacho Building	2	100.0	-(³)	-(³)		
	Omiya Shimocho 1-chome Building	11	100.0	160	1.5		
Subtotal			32	100.0	-(³)	-(³)	
Other Areas	Nagoya Itochu Building	8	92.3	249	2.3		
	ORIX Koraibashi Building	11	89.8	188	1.7		
	Lunar Sendai	32	83.3	235	2.2		
	ORIX Nagoya Nishiki Building	14	67.6	196	1.8		
	ORE Sapporo Building	10	96.5	247	2.3		
	Subtotal			75	86.1	1,115	10.4
Offices Total			332	92.7	8,061	75.0	
Logistics Facilities	Other Parts of the Greater Tokyo Area	Koshigaya Logistics Center	1	100.0	-(³)	-(³)	
		Toda Logistics Center	1	100.0	-(³)	-(³)	
		Ichikawa Logistics Center	1	100.0	-(³)	-(³)	
	Subtotal			3	100.0	-(³)	-(³)
Other Areas	Sakai Logistics Center North Building	1	100.0	-(³)	-(³)		
Subtotal			1	100.0	-(³)	-(³)	
Logistics Facilities Total			4	100.0	1,005	9.4	
Retail Facilities	6 central Tokyo Wards	Nihon Jisho Minami Aoyama Building	1	100.0	-(³)	-(³)	
		CUBE Daikanyama	3	100.0	114	1.1	
		Subtotal			4	100.0	-(³)
	Other Parts of the Greater Tokyo Area	aune Kohoku	12	97.5	190	1.8	
		aune Makuhari	22	100.0	221	2.1	
	Subtotal			34	98.8	411	3.8
Other Areas	Kobe Momoyamadai Shopping Center(Site)	5	100.0	157	1.5		
Okayama Kume Retail Facility	3	100.0	21	0.2			
Subtotal			8	100.0	178	1.7	
Retail Facilities Total			46	99.8	-(³)	-(³)	
Residential	6 central Tokyo Wards	Park Axis Nishi Azabu Stage	1	93.6	-(³)	-(³)	
		Shibaura Island Bloom Tower	2	95.1	48	0.4	
	Subtotal			3	94.9	-(³)	-(³)
	Remaining Tokyo Wards	Sonet Kami Ikebukuro	-	-	-(³)	-(³)	
Subtotal			-	-	-(³)	-(³)	
Residential Total			3	94.9	-(³)	-(³)	
Others	Other Parts of the Greater Tokyo Area	Cross Gate	23	94.7	755	7.0	
		Subtotal			23	94.7	755
Others Total			23	94.7	755	7.0	
Grand Total			408	96.2	10,741	100.0	

Notes:

1. Number of tenants and occupancy rate are as of February 28, 2011.
2. Occupancy rate and share in revenue, rounded to the first decimal place, may not add up to totals due to rounding.
3. The number of tenants is either one or two. Alternatively, over 80% of revenue for any relevant property is derived from a limited number of specific tenants. Because of the confidentiality of the contractual terms, OJR does not disclose the revenue from operations of these properties unless agreement to such disclosures has been specifically received from the tenant.

4. Major Tenants

According to JREIT regulations, OJR is required to disclose information about tenants who lease more than 10% of total rentable areas of the fund's portfolio. As of the end of the 18th fiscal period (at the end of February 2011), NIPPON EXPRESS Co., Ltd. was the company subject to this requirement.

Name of Tenant	NIPPON EXPRESS Co., Ltd.
Industry	Transportation, sales, etc.
Property	Sakai Logistics Center North Building
Contract Rent	(1)
Rented Space	64,004.80 m ²
Share in Total Rented Space	13.6%
Expiry Date	July 30, 2019
Method for Renewal of Rent	Fixed term lease agreement for building (covering a period of ten years). There is no renewal. However, after this agreement expires, if lessor and lessee agree, both parties can separately conclude a new lease contract.
Special Note	The rent shall not be revised during the lease period, in principle, except in cases where the rented space increased or decreased, or where taxation relevant to this property changed. In principle, a midterm cancellation shall not be allowed. Nippon Express Co., Ltd. may sublease or allow use of the property by a third party, subject to the prior written approval of the lessor. As of February 28, 2011, this property is subleased to one tenant.

Note 1: OJR does not have the tenant's approval to disclose its contract rent in this report.

The following list shows the ten largest tenants in terms of rented area as of February 28, 2011. Share in total rented space is calculated based on the areas that OJR owns.

	Name of Tenant	Property	Expiry Date ⁽¹⁾	Rented Space ⁽²⁾ (m ²)	Share in Total Rented Space ⁽²⁾ (%)
1	NIPPON EXPRESS Co., Ltd.	Sakai Logistics Center North Building	July 30, 2019	64,004.80	13.6
2	SENKO Co., Ltd.	Ichikawa Logistics Center	July 31, 2018	37,456.96	7.9
3	Keiyo Distribution Warehouse Co., Ltd.	Toda Logistics Center	March 9, 2025	36,158.60	7.7
4	Fujita Kanko Co., Ltd.	Cross Gate	September 30, 2020	19,744.39	4.2
5	— (3)	—	—	19,200.00	4.1
6	Cainz Co., Ltd.	Kobe Momoyamadai Shopping Center (Site)	October 3, 2026	16,715.94	3.5
7	Mitsui Fudosan Housing Lease Co., Ltd, Daiwa Living Co., Ltd., RA Asset Management Inc. (4)	Shibaura Island Bloom Tower	August 31, 2012	9,290.05	2.0
8	NIKE JAPAN CORP.	Seafort Square Center Building	May 31, 2011	8,832.49	1.9
9	ITOCHU Corporation	Nagoya Itochu Building	March 31, 2011	8,676.58	1.8
10	— (3)	—	—	8,520.30	1.8
	Total			228,600.11	48.5

Notes:

1. In cases where more than one lease contract has been concluded with a tenant, the date shown in expiry date is for

- the lease contract with the earliest expiry date.
2. Rented space and total rented space refer to contracted floor area, which is generally the actual floor size, as opposed to the registered size in the Japanese registry system. Share in total rented space is rounded to one decimal place. Individual numbers may not add up to total amount due to rounding.
 3. OJR does not have the tenant's approval to disclose its name in this report.
 4. All three parties are co-lessees under a single master lease agreement.

■ Capital Expenditure

1. Projects – 18th Period Onward

The following table shows the capital expenditure projects that are currently planned. Estimated amounts include costs that may be recognized as expenses. OJR intends to continue providing such capital improvements to improve tenant satisfaction and to enhance its portfolio competitiveness and property value.

Property (Location)	Project	Estimated Period	Estimated Amount (In millions of yen)		
			Total Amount	Payment due in 18th period	Already paid Amount
DT Gaien (Shibuya-ku, Tokyo)	Renewal of air conditioner	From June 2008 to May 2011	68	8	53
Cross Gate (Yokohama City, Kanagawa)	Renovation of escalators	From August 2011 to December 2011	44	—	—
ORIX Meguro Building (Meguro-ku, Tokyo)	Renewal of air conditioner	From April 2011 to March 2012	209	—	—
Cross Gate (Yokohama City, Kanagawa)	Renewal of pressure reducing valves for hotel guest rooms	From June 2011 to June 2011	20	—	—
Yoyogi Forest Building (Shibuya-ku, Tokyo)	Renewal of air conditioner	From June 2011 to October 2012	64	—	—
Round-Cross Kamata (Ohta-ku, Tokyo)	Renewal of central monitoring facility	From October 2011 to October 2011	25	—	—

2. Results – 18th Period

Total amount of capital expenditures in the 18th period was ¥55 million and major projects are summarized below. Combined with the repair costs of ¥92 million, total cost for capital improvements (repair cost and capital expenditures) during the 18th period is ¥147 million.

Property (Location)	Project	Period	Amount (In millions of yen)
DT Gaien (Shibuya-ku, Tokyo)	Renewal of air conditioner of 4th floor	From December 2010 to February 2011	8
Other Capital Expenditures			47
Grand Total			55

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 cash flow. The following table shows the summary of cash reserves at the end of the 17th and 18th periods.

	(In millions of yen)	
	For the period ended August 31, 2010	For the period ended February 28, 2011
Balance at the beginning	1,319	1,443
Amount reserved	298	317
Amount withdrawn	174	183
Amount carried forward	1,443	1,577

Note:

In addition to the above reserve, OJR set aside ¥393 million as of February 28, 2011 as reserve for repair work to properties that OJR owns in compartmentalized ownership interests. The amount was included in "Others" of "Other assets" on the balance sheet as of February 28, 2011. Such reserves are generally required pursuant to the management regulation of the owners' associations.

■ Administrative Expenses

The following table shows the breakdown of fees and expenses paid to the asset manager (ORIX Asset Management Corporation), the asset custodian (The Sumitomo Trust & Banking Co., Ltd.), and others such as for their administrative services.

	(In millions of yen)	
Item	For the period ended August 31, 2010	For the period ended February 28, 2011
Asset management fees	652	672
Asset custody fees	32	35
Agent fees	122	131
Officers' fees	10	10
Auditors' fees	13	15
Other expenses	116	92
Total	945	955

Note:

Above figures do not include the acquisition fee of ¥189 million for the 17th period and ¥63 million for the 18th period nor the sale fee of ¥77 million for the 17th period and ¥11 million for the 18th period that were paid to ORIX Asset Management. The acquisition fee has been capitalized as part of acquisition costs and the sale fee was netted against gains on sale of real estate properties or included in loss on sale of real estate properties.

■ Transaction Activities during Current Period

1. Real Estate and Real Estate Held in Trust

	(In millions of yen)	
	Acquisition	
Property	Date	Price
ORE Sapporo Building	October 1, 2010	4,250
Okayama Kume Retail Facility	January 31, 2011	2,750
Shibaura Island Bloom Tower	January 31, 2011	5,550
Total		12,550
	Sale	
Property	Date	Price
Sonet Kami Ikebukuro	December 27, 2010	2,146
Total		2,146

Note:

Acquisition and sale prices do not include transaction costs such as brokerage fees and taxes.

2. Other Assets

There is no significant acquisition or sale of other assets. Other major assets consist mostly of ordinary bank deposits.

3. Transactions with Related Parties and Major Shareholders of Asset Management Company

Transactions

Category	Amount of Purchase Price, etc.	
	Purchase Price, etc. (In millions of yen)	Sale Price, etc. (In millions of yen)
Total Amount	12,550	2,146
	Amount of purchases from related parties and major shareholders 12,550 (100.0%)	Amount of sales to related parties and major shareholders — (—%)
Breakdown of transactions with related parties and major shareholders		
ORIX Real Estate Corporation	4,250 (33.9%)	— (—%)
Shibaura Canal Development Limited	5,550 (44.2%)	— (—%)
Joint Ark 18, LLC	2,750 (21.9%)	— (—%)
Total	12,550 (100.0%)	— (—%)

Notes:

- Figures in parentheses indicate percentages of total purchase prices and sale prices respectively.
- With regard to the amount paid to related parties and major shareholders, the amount of ¥40 million, which is equivalent of the properties tax and city planning tax for the year of acquisition, is not included in the purchase price and the amounts in the breakdown of transactions with related parties and major shareholders presented in the above table.

Commissions paid

Item	(A) Total Amount (In millions of yen)	Description of Transactions with Related Parties and Major Shareholders ⁽¹⁾		
		Paid to	(B) Amount (In millions of yen)	(B)/(A)
Leasing commission	37	ORIX Real Estate Corporator	1	1.5%
Property maintenance fees	685	ORIX Corporation	3	0.5%
		Seafort Community Co., Inc	40	5.9%
Property management fees	188	ORIX Real Estate Corporator	3	1.5%

Notes:

- “Related Parties” and “Major Shareholders” refer to (i) the related parties of asset management companies under asset management agreement with OJR, as defined in “the Law Concerning Investment Trust and Investment Corporation, Article 201, Section 1” and “Order for Enforcement of the Law Concerning Investment Trust and Investment Corporation, Article 123,” and (ii) the major shareholders of asset management companies as defined in “the Financial Instruments and Exchange Law, Article 29, Section 4, Paragraph 2.” In the 18th period, they are ORIX Corporation, ORIX Real Estate Corporation and Seafort Community Co., Inc. The above is a record of commission payments etc. to them.
- Amounts paid to related parties other than those listed above such as for utility charges were as follows.
 - ORIX Corporation :¥111 million (utility charges)
 - Tennouzu Area Service Co., Inc. :¥87 million (utility charges)
 - ORIX Trust and Banking Corporation : ¥29 million (interest expense)

II Financial Statements

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Independent Auditors' Report

To the Board of Directors of
ORIX JREIT Inc.:

We have audited the accompanying balance sheets of ORIX JREIT Inc. (a Japanese Real Estate Investment Trust) as of August 31, 2010 and February 28, 2011, and the related statements of income, changes in net assets and cash flows for the six months ended August 31, 2010 and February 28, 2011, expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ORIX JREIT Inc. as of August 31, 2010 and February 28, 2011, and the results of its operations and its cash flows for the six months ended August 31, 2010 and February 28, 2011, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

As discussed in Note 17 to the financial statements, ORIX JREIT Inc. sold one of its properties and issued new investment units.

KPMG AZSA LLC

Tokyo, Japan
May 27, 2011

ORIX JREIT Inc.
BALANCE SHEETS

As of August 31, 2010 and February 28, 2011

	As of August 31, 2010	As of February 28, 2011
(In millions of yen)		
Assets		
Current assets:		
Cash and deposits including trust accounts (Notes 3, 4)	¥ 13,743	¥ 18,529
Rental receivables	368	234
Consumption taxes refundable	544	59
Investment in finance lease (Notes 4, 12)	3,492	3,436
Prepaid expenses	68	86
Other current assets (Note 7)	12	17
Less: Allowance for doubtful receivables	(6)	(5)
Total current assets	18,221	22,356
Property and equipment, at cost:		
Land including trust accounts (Note 14)	183,853	184,393
Buildings and structures including trust accounts (Note 14)	89,344	95,792
Building improvements including trust accounts (Note 14)	29,218	31,271
Machinery and equipment including trust accounts (Note 14)	2,754	3,142
Construction in progress (Note 14)	—	1
	305,169	314,599
Less: Accumulated depreciation (Note 14)	(19,900)	(21,664)
Net property and equipment	285,269	292,935
Other assets:		
Leasehold interests including trust accounts (Note 14)	661	1,593
Others (Note 15)	1,469	1,855
Total assets	¥ 305,620	¥ 318,739
Liabilities and Net assets		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 1,067	¥ 926
Short-term debt (Notes 4, 5)	10,000	13,300
Long-term debt due within one year (Notes 4, 5)	39,750	32,250
Accrued expenses	423	463
Rents received in advance	1,625	1,625
Income taxes payable	—	3
Other current liabilities	297	327
Total current liabilities	53,162	48,894
Non-current liabilities:		
Long-term debt (Notes 4, 5)	95,118	112,993
Leasehold and security deposits received (Note 4)	15,044	15,309
Deferred tax liabilities (Note 7)	174	170
Total liabilities	163,498	177,366
Net assets (Notes 6, 8)		
Unitholders' capital	137,814	137,814
Units authorized: 2,000,000 units		
Units issued and outstanding: 251,622 units		
Retained earnings	4,308	3,559
Total net assets	142,122	141,373
Total liabilities and net assets	¥ 305,620	¥ 318,739

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

ORIX JREIT Inc.
STATEMENTS OF INCOME

For the six months ended August 31, 2010 and February 28, 2011

	For the six months ended	
	August 31, 2010	February 28, 2011
(In millions of yen)		
Operating revenues:		
Rental revenues (Note 10)	¥ 9,316	¥ 9,514
Other operating revenues (Note 10)	1,227	1,227
Gains on sale of real estate properties (Note 11)	1,159	—
Total operating revenues	11,702	10,741
Operating expenses:		
Property-related expenses (Note 10)	4,869	4,946
Loss on sale of real estate properties (Note 11)	—	50
Asset management fees	652	672
Administrative service fees	154	166
Other expenses	139	117
Total operating expenses	5,814	5,951
Operating income	5,888	4,790
Interest income	4	3
Interest expense	(1,240)	(1,307)
Other expenses, net	(170)	(193)
Ordinary income	4,482	3,293
Income before income taxes	4,482	3,293
Provision for income taxes (Note 7)	174	1
Net income	¥ 4,308	¥ 3,292

	For the six months ended	
	August 31, 2010	February 28, 2011
Earnings per unit (Note 6)		
Net income (In yen)	¥ 17,122	¥ 13,083
Weighted average number of units outstanding	251,622	251,622

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

ORIX JREIT Inc.
STATEMENTS OF CASH FLOWS

For the six months ended August 31, 2010 and February 28, 2011

	For the six months ended	
	August 31, 2010	February 28, 2011
	(In millions of yen)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 4,482	¥ 3,293
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	2,070	2,171
Amortization of long-term prepaid expenses	138	162
Amortization of investment corporation bond issuance costs	11	17
Interest income	(4)	(3)
Interest expense	1,240	1,307
Loss on disposal of property and equipment	—	1
Changes in assets and liabilities:		
Rental receivables	(88)	97
Consumption tax refundable	(544)	485
Consumption tax payable	(94)	—
Investment in finance lease	74	57
Prepaid expenses	(9)	(18)
Payments of long-term prepaid expenses	(488)	(102)
Decrease in property and equipment due to sale	13,737	2,047
Decrease in leasehold rights due to sale	181	—
Withdrawal from reserve for repairs and maintenance	13	127
Trade and other payables	141	(111)
Rents received in advance	88	38
Others, net	(35)	52
Subtotal	20,913	9,620
Cash proceeds from interest income	4	3
Cash payments of interest expense	(1,189)	(1,269)
Cash refunds of income taxes	3	—
Cash payments of income taxes	(1)	(1)
Net cash provided by operating activities	19,730	8,353
Cash Flows from Investing Activities:		
Payments for investing in time deposits	(1,443)	(1,577)
Proceeds from maturity of time deposits	1,319	1,443
Purchases of property and equipment	(38,447)	(11,917)
Purchases of leasehold rights	—	(938)
Proceeds from leasehold and security deposits	2,099	1,050
Repayments of leasehold and security deposits	(1,538)	(805)
Payments of lease and guarantee deposits	—	(516)
Others, net	(83)	(199)
Net cash used in investing activities	(38,093)	(13,459)
Cash Flows from Financing Activities:		
Proceeds from short-term debt	131,333	52,000
Repayments of short-term debt	(140,833)	(48,700)
Proceeds from long-term debt	30,056	18,000
Repayments of long-term debt	(14,125)	(7,625)
Payments for investment corporation bond issuance costs	(33)	(63)
Payment of dividends	(3,343)	(4,040)
Net cash provided by financing activities	3,055	9,572
Net change in cash and cash equivalents	(15,308)	4,466
Cash and cash equivalents at beginning of period	27,559	12,251
Cash and cash equivalents at end of period (Note 3)	¥ 12,251	¥ 16,717

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

Notes to Financial Statements

For the six months ended August 31, 2010 and February 28, 2011

1. Organization

ORIX JREIT Inc. (“OJR”), a Japanese real estate investment corporation, was established on September 10, 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. On June 12, 2002, OJR was listed on the Tokyo Stock Exchange’s JREIT (Real Estate Investment Trust in Japan) section as the fourth listed JREIT. OJR is the first diversified type listed JREIT that invests in offices, logistics facilities, retail facilities, residential properties and other categories of properties.

In its 18th fiscal period, OJR acquired the ORE Sapporo Building (acquisition price: ¥4,250 million), Shibaura Island Bloom Tower (acquisition price: ¥5,550 million) and the Okayama Kume Retail Facility (acquisition price: ¥2,750 million); and sold Sonet Kami Ikebukuro (sales price: ¥2,146 million). As a result, OJR’s portfolio included 54 properties as of February 28, 2011 (41 office buildings, 4 logistics centers, 6 retail facilities, 2 residential properties and 1 hotel). The invested amount (total of acquisition prices) aggregated to ¥311,038 million.

2. Summary of Significant Accounting Policies

(a) Basis of presenting financial statements

The accompanying financial statements have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan (the “Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying financial statements have been restructured and translated into English (with some reclassifications and expanded descriptions) 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 Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language financial statements, but not required for fair presentation, is not presented in the accompanying financial statements. OJR has not prepared consolidated financial statements, as it has no subsidiary.

(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	10-60 years
Building improvements.....	6-18 years
Machinery and equipment.....	10-18 years

(c) Leasehold interests

Amortization of term leasehold interests is calculated on a straight-line basis over the remaining periods of the assets.

(d) Investment corporation bond issuance costs

Investment corporation bond issuance costs are amortized using a straight-line method over the respective terms of the bonds.

(e) Revenue recognition

Revenues from operating lease of property are recognized on a straight-line accrual basis over the life of the lease. Revenues from finance lease of property and related costs of the finance lease are recognized when OJR receives the lease payments. The difference between those revenues and costs represents the interest income equivalent earned during the period.

(f) Taxes on property and equipment

Property and equipment are subject to various taxes, such as property taxes and city planning taxes. An owner of properties is registered in a record maintained by the local government in each jurisdiction, and the taxes are

imposed on the owner registered in the record as of January 1, based on the assessment made by the local government.

When a property is purchased in a calendar year, the taxes for that calendar year are imposed on the seller. OJR pays the seller the corresponding amount of the taxes for the period from the property acquisition date to December 31 of the calendar year and capitalizes these amounts as the acquisition cost of the property, rather than expensing them in the period of acquisition. Subsequently, every calendar year, OJR recognizes the taxes imposed on such properties as property-related expenses in a period when the assessment and decision is notified and paid, if OJR has owned the properties since January 1 of the calendar year.

The amount of such taxes included in the costs of real estate acquisition was ¥193 million and ¥40 million for the period ended August 31, 2010 and February 28, 2011, respectively.

(g) Allowance for doubtful receivables

To prepare for possible losses on uncollectible receivables, the allowance for doubtful receivables is provided in amounts considered to be appropriate based on individual analysis of collectibility for certain doubtful receivables and on past credit experiences for other receivables.

(h) Hedge accounting

OJR conducts a derivative transaction in order to hedge risks defined in its Articles of Incorporation based on its financial policy. OJR uses a derivative financial instrument such as an interest rate swap only for the purpose of avoiding future risks of interest rate increases relating to a loan, but does not enter into such transactions for speculative or trading purposes. Since the interest rate swap currently used qualifies for hedge accounting and meets certain matching criteria, the swap is not recorded at fair value but the differential paid or received under the swap agreement is recognized and included in interest expense. In addition, assessment of the hedge effectiveness has been omitted because the swap meets the matching criteria, as permitted under the Japanese GAAP.

(i) Income taxes

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

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash held in trust, bank deposits (including trust accounts) which are repayable on demand, and short-term investments which are readily convertible to cash, with an insignificant risk of price fluctuation and with original maturity of three months or less.

(k) Reclassification

Certain reclassifications have been made to the prior period's financial statements to conform with the presentation used for the period ended February 28, 2011.

(l) Rounding of amounts presented in financial statements

The amounts in the financial statements have been rounded down to millions in the financial statements originally prepared in Japanese and filed with regulatory authorities, whereas the amounts have been rounded to the nearest millions in the accompanying financial statements in order to present them in a manner that is more familiar to readers outside Japan.

(m) Trust beneficiary interests

For trust beneficiary interests in real estate, all assets and liabilities held in trust as well as all income generated and expenses incurred from the trust are recorded in the corresponding balance sheet and income statement accounts of the accompanying financial statements.

(n) Consumption taxes

Consumption taxes are excluded from transaction amounts. However, non-deductible consumption taxes on property and equipment are included in the acquisition cost of the respective assets.

(o) New accounting pronouncements:

(Accounting standard for asset retirement obligations)

Effective from the fiscal period ended February 28, 2011, OJR adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standard Board of Japan (“ASBJ”) Statement No. 18 issued on March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21 issued on March 31, 2008).

The impact of the adoption of this Accounting Standard and Guidance on its operating income, ordinary income and income before income taxes is insignificant.

3. Cash and Deposits including trust accounts

Cash and deposits including trust accounts includes restricted deposits held in trust that are retained for repayment of tenant leasehold and security deposits.

Reconciliation of the cash and deposits including trust accounts recorded on the accompanying balance sheets to the cash and cash equivalents reported in the accompanying statements of cash flows is as follows.

Cash and cash equivalents were as follows.

	(In millions of yen)	
	As of August 31, 2010	As of February 28, 2011
Cash and deposits including trust accounts.....	¥ 13,743	¥ 18,529
Less: restricted deposits held in trust.....	(49)	(235)
Less: time deposits due over three months.....	<u>(1,443)</u>	<u>(1,577)</u>
Cash and cash equivalents.....	<u>¥ 12,251</u>	<u>¥ 16,717</u>

4. Financial Instruments

Effective from the fiscal period ended August 31, 2010, OJR adopted the revised Accounting Standard, “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan (“ASBJ”) Statement No.10 revised on March 10, 2008) and the “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19 revised on March 10, 2008). Information on financial instruments for the periods ended August 31, 2010 and February 28, 2011 required pursuant to the revised accounting standards are as follows.

[Qualitative information on financial instruments]

(a) Policies for financial instruments

To finance property acquisitions, repayment of debt, etc., OJR procures funds through several funding sources, including loans from financial institutions, issuance of investment corporation bonds and issuance of investment units. In the case of financing through interest-bearing debt, it is our basic financial policy to focus on borrowing funds longer periods, fixing interest rates on debt, and dispersing repayment dates, among others, in order to secure financial stability and avoid future risks of increase in interest rates.

OJR may conduct derivative transactions in order to hedge against future interest-rate fluctuations, but does not enter into such transactions for speculative purposes.

OJR manages its excess funds carefully in light of the safety and liquidity, taking interest rate environment and projected cash flow requirements into due consideration.

(b) Financial instruments, their risks and risk management system

The fund proceeds from borrowings and issuance of investment corporation bonds are used for the purpose of acquisition of real estate and beneficiary rights to real estate trusts, repayment of loans and redemption of investment corporation bonds. These borrowings and bonds are exposed to liquidity risks. OJR strives to reduce the liquidity risks by diversification of financing methods and lenders, dispersing repayment dates and establishment of commitment lines. Borrowings and investment corporation bonds are also exposed to a risk of rising interest rates. OJR controls the impact of interest rate increases by maintaining a lower ratio of interest-bearing debt, while holding the ratio of interest-bearing debt with long-term fixed interest rates at a higher level. Furthermore, for some of the floating-rate loans, OJR enters into derivative transactions (interest-rate swaps) to hedge against interest rate fluctuation risks and fix the amount of interests to be paid. Since the interest rate swap currently used qualifies for hedge accounting and meets certain matching criteria, assessment of the hedge effectiveness has been omitted, as permitted under the Japanese GAAP. Derivative transactions are executed and managed in accordance with the operation and management procedures of the asset management firm.

Deposits are held for the purpose of management of excess funds, and are exposed to credit risks, such as bankruptcy of the depository financial institutions. OJR controls such credit risks by using depository financial institutions with high credit ratings.

Leasehold and security deposits are deposits received from tenants, which are exposed to liquidity risks when the tenants vacate the properties. In principle, OJR manages the risk by retaining funds that would enable OJR to return necessary amounts to tenants.

(c) Supplementary explanation regarding fair values of financial instruments

The fair value of financial instruments is based on their observable market value, if available. When there is no observable market value available, fair value is based on a price that is reasonably estimated. Since various factors are reflected in estimating the fair value, different assumptions and factors could result in a different value.

[Fair values of financial instruments]

Book value, fair value, and the difference between them as of August 31, 2010 and February 28, 2011, are as follows. Financial instruments whose fair values are very difficult to estimate and financial instruments which are deemed immaterial are both excluded from the following table (See Note 2 below).

(In millions of yen)

	As of August 31, 2010			As of February 28, 2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference
<u>Assets</u>						
(a) Cash and deposits (*)	13,633	13,633	—	18,174	18,174	—
(b) Investment in finance lease	3,492	3,790	298	3,435	3,611	176
Total	17,125	17,423	298	21,609	21,785	176
<u>Liabilities</u>						
(a) Short-term debt	10,000	10,000	—	13,300	13,300	—
(b) Long-term debt due within one year	39,750	40,107	357	32,250	32,511	261
(c) Long-term debt	95,118	96,223	1,105	112,993	113,983	990
Total	144,868	146,330	1,462	158,543	159,794	1,251
Derivative transaction	—	—	—	—	—	—

(*) Cash and deposits held in trust are included in the balance sheet amount of “Cash and deposits including trust accounts.” However, they are excluded from the above table because they are not subject to fair value disclosure as they are deemed immaterial under the Japanese GAAP.

Note1. Information about measurement of fair value of financial instruments and derivative transaction

Assets

(a) Cash and deposits

Due to the short maturities, the book value of these assets is deemed a reasonable approximation of the fair value. Therefore the book value is used as the fair value.

(b) Investment in finance lease

The fair value of investment in finance lease is calculated by discounting the principal and interest cash flows at the current interest rate that is estimated to apply when entering into new similar lease transactions. Investment in finance lease includes estimated residual values. As for finance lease transactions entered into during the fiscal periods started before April 1, 2008 that do not transfer ownership of the leased property to the lessee, their proper book value as fixed assets (net of accumulated depreciation) recorded at the end of August 2008 was transferred from property and equipment to investment in finance lease as the initial recorded amount of the investment in finance lease at the beginning of the fiscal period started on September 1, 2008, as permitted by the Japanese GAAP. The interest income equivalents of those finance lease transactions are taken into income over the remaining lease term based on a straight-line method. Consequently, for those finance lease transactions, a difference arises between the book value and the unamortized principal balance that would have been recorded had those finance lease transactions been retrospectively accounted for as financing by using the interest method, and such difference is included in the difference between the book value and the fair value in the above table.

Liabilities

(a) Short-term debt

Due to the short maturities and floating interest rates, the book value of these liabilities is deemed a reasonable approximation of their fair value, and therefore the book value is used as the fair value.

(b) Long-term debt due within one year

The fair value of long-term debt due within one year is calculated by discounting the aggregated amounts of the principal and the interest cash flows of the debt at the current rates that are reasonably estimated to be applicable if OJR enters into new similar loans.

(c) Long-term debt

As of August 31, 2010 and February 28, 2011, long-term debt which includes investment corporation bonds and long-term loan are as follows.

(In millions of yen)

	As of August 31, 2010			As of February 28, 2011		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Investment corporation bonds	17,000	17,233	233	27,000	27,177	177
(2) Long-term loan	78,118	78,990	872	85,993	86,806	813
Total	95,118	96,223	1,105	112,993	113,983	990

(1) Investment corporation bonds

The fair value of investment corporation bonds is estimated based on the market price if the market price is available. If the market price is not available, the fair value is estimated by discounting the principal and interest cash flows by an interest rate determined by taking into consideration time to maturity and credit risk of the relevant investment corporation bond.

(2) Long-term loan

Since floating rate long-term loans reflect market interest rates within a short period of time, the book value is determined to be a reasonable estimate of the fair value. In the case of fixed interest rate loans, the fair value is estimated by discounting the principal and the interest cash flows of the debt at the current rates that are reasonably estimated to be applicable if OJR enters into new similar loans. The fair value of interest rate swap that is not recorded at fair value because it meets certain matching criteria (see Note 2 (h)) is included in the fair value of the hedged long-term loan in the above table.

Derivative transaction

Please refer to Note 13, "Derivative Transactions."

Note 2. Financial instruments whose fair values are very difficult to estimate.

(In millions of yen)

	Book value	
	As of August 31, 2010	As of February 28, 2011
Leasehold and security deposits received	15,044	15,309

Leasehold and security deposits received from the tenants of lease properties are not subject to the fair value disclosure because they have no market price and their actual deposit periods from occupancy to vacation are not estimable, making it very difficult to reasonably estimate the related cash flows.

Note 3: Redemption schedule for monetary claims after August 31, 2010 and February 28, 2011

(In millions of yen)

	August 31, 2010					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits (excluding trust accounts)	13,633	—	—	—	—	—
Investment in finance lease (*)	350	350	350	350	350	3,307
Total	13,983	350	350	350	350	3,307

(In millions of yen)

	February 28, 2011					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Cash and deposits (excluding trust accounts)	18,174	—	—	—	—	—
Investment in finance lease (*)	352	352	352	352	352	3,158
Total	18,526	352	352	352	352	3,158

* Scheduled redemption amounts include interest income equivalents.

Note 4. Schedule for repayment of loans and redemption of investment corporation bonds after August 31, 2010 and February 28, 2011

(In millions of yen)

	August 31, 2010					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loan	10,000	—	—	—	—	—
Investment corporation bonds	—	—	12,000	5,000	—	—
Long-term loans	39,750	20,250	43,750	250	13,868	—
Total	49,750	20,250	55,750	5,250	13,868	—

(In millions of yen)

	February 28, 2011					
	Due within one year	Due after one to two years	Due after two to three years	Due after three to four years	Due after four to five years	Due after five years
Short-term loans	13,300	—	—	—	—	—
Investment corporation bonds	—	12,000	5,000	5,000	5,000	—
Long-term loans	32,250	38,750	33,250	3,937	10,056	—
Total	45,550	50,750	38,250	8,937	15,056	—

5. Short-term and Long-term Debt

As of August 31, 2010, OJR had total interest bearing debt of ¥144,868 million comprised of ¥10,000 million of short-term debt and ¥134,868 million of long-term debt (including ¥39,750 million of current portion of long-term debt).

As for the fiscal period ended February 28, 2011, OJR procured ¥7,000 million in long term loans (fixed rate, unsecured) from several financial institutions on September 21, 2010 for the repayment of long term loans approaching their due dates. On October 1, 2010, OJR procured ¥3,800 million in short term loans (floating rate, unsecured) based on the commitment line for the purchase of the ORE Sapporo Building. Furthermore, OJR procured ¥1,000 million in long term loans (fixed rate, unsecured) on November 5, 2010 from THE SHIZUOKA BANK, LTD. to fund the refinancing of loans. OJR established a new ¥5,000 million commitment line with Aozora Bank, Ltd. on December 29, 2010. On January 31, 2011, OJR procured ¥5,000 million in short term loans (floating rate, unsecured) based on the commitment line for the purchase of Shibaura Island Bloom Tower. OJR renewed and extended the terms of its commitment lines, including a reduction in the amount, resulting in a loan balance standing at ¥13,300 million as of February 28, 2011. Finally, OJR issued its third unsecured investment corporation bonds in the amount of ¥5,000 million on November 18, 2010 with a redemption term of five years, and its fourth unsecured investment corporation bonds in the amount of ¥5,000 million on January 27, 2011 with a redemption term of three years.

As of February 28, 2011, total interest bearing debt of OJR amounted to ¥158,543 million comprised of ¥13,300 million of short-term debt and ¥145,243 million of long-term debt (including ¥32,250 million of current portion of long-term debt).

Breakdown of the outstanding interest bearing debt as of August 31, 2010 and February 28, 2011 were as follows:

	(In millions of yen)	
	As of August 31, 2010	As of February 28, 2011
<Short-Term Debt>		
Floating rate debt unsecured due on October 21, 2010 with interest rate of 1.19%	¥ 10,000	¥ —
Floating rate debt unsecured due on March 1, 2011 with interest rate of 1.18%	—	5,000
Floating rate debt unsecured due on March 1, 2011 with interest rate of 1.18%	—	8,300
Total.....	<u>10,000</u>	<u>13,300</u>
<Long-Term Debt>		
Floating rate debt unsecured due on September 19, 2012 with interest rate of 1.24%	3,500	3,500
Fixed rate debt unsecured due on September 21, 2010 with interest rate of 1.54%	6,500	—
Fixed rate debt unsecured due on November 5, 2010 with interest rate of 1.52%	1,000	—
Fixed rate debt unsecured due on April 27, 2011 with interest rate of 2.00%	17,000	17,000
Fixed rate debt unsecured due on June 27, 2011 with interest rate of 1.83%	15,000	15,000
Fixed rate debt unsecured due on March 19, 2012 with interest rate of 1.79%	20,000	20,000
Fixed rate debt unsecured due on September 19, 2012 with interest rate of 1.84%	5,000	5,000
Fixed rate debt unsecured due on September 19, 2012 with interest rate of 1.71%	7,000	7,000
Fixed rate debt unsecured due on September 20, 2012 with interest rate of 1.40%	3,000	3,000
Fixed rate debt unsecured due on March 19, 2013 with interest rate of 1.69%	14,000	14,000
Fixed rate debt unsecured due on March 26, 2013 with interest rate of 1.69%	1,000	1,000
Fixed rate debt unsecured due on April 26, 2013 with interest rate of 2.20%	7,000	7,000
Fixed rate debt unsecured due on July 31, 2013 with interest rate of 1.94%	3,000	3,000
Fixed rate debt unsecured due on September 24, 2013 with interest rate of 1.46%	—	7,000
Fixed rate debt unsecured due on November 5, 2013 with interest rate of 1.36%	—	1,000
Fixed rate debt unsecured due by installments through September 18, 2014 with interest rate of 2.01% ^(*1)	4,812	4,687
Fixed rate debt unsecured due on June 17, 2015 with interest rate of 1.93%	5,056	5,056
Fixed rate debt unsecured due on July 29, 2015 with interest rate of 1.70%	5,000	5,000
Unsecured bonds due on February 25, 2013 with interest rate of 2.08% ^(*2)	12,000	12,000
Unsecured bonds due on January 27, 2014 with interest rate of 1.40% ^(*2)	—	5,000
Unsecured bonds due on August 12, 2014 with interest rate of 1.44% ^(*2)	5,000	5,000
Unsecured bonds due on November 18, 2015 with interest rate of 1.58% ^(*2)	—	5,000
Total.....	<u>134,868</u>	<u>145,243</u>
Grand total of short-term and long-term debt	<u>¥ 144,868</u>	<u>¥ 158,543</u>

Notes:

(*1) The loan is payable by quarterly installments of ¥63 million per quarter, with the remaining balance of ¥3,813 million due on September 18, 2014.

(*2) The bonds were issued with pari passu conditions among specified investment corporation bonds.

In the above table, the interest rate relating to the debt hedged by an interest rate swap for the purpose of avoiding interest rate volatility risk is the interest rate after reflecting the effect of the relevant interest rate swap.

The annual maturities of long-term debt as of February 28, 2011 were as follows.

	(In millions of yen)
Due within one year	¥32,250
Due after one to two years	50,750
Due after two to three years	38,250
Due after three to four years	8,937
Due after four to five years	15,056

OJR currently has commitment line contracts of ¥20,000 million with several financial institutions. The unused amount of such commitment line was ¥6,700 million as of February 28, 2011.

6. Per Unit Information

Net asset values per unit as of August 31, 2010 and February 28, 2011 were ¥564,825 and ¥561,847, respectively. Net income per unit was ¥17,122 for the six months ended August 31, 2010, and ¥13,083 for the six months ended February 28, 2011.

The weighted average numbers of units outstanding that were used for the computation of the amounts of net income per unit for the six months ended August 31, 2010 and February 28, 2011 were 251,622.

7. Income Taxes

As of August 31, 2010 and February 28, 2011, OJR recorded deferred tax assets and deferred tax liabilities as follows:

	(In millions of yen)	
	As of August 31, 2010	As of February 28, 2011
Deferred tax assets:		
Business facility tax payable not qualifying for deduction on tax returns	¥ 1	¥ 1
Allowance for doubtful receivables not qualifying for deduction on tax returns	2	1
Amortization of leasehold interests	—	2
Others	—	1
Total deferred tax assets	<u>¥ 3</u>	<u>¥ 5</u>
Deferred tax liabilities:		
Reserve for advanced depreciation of non-current assets	¥ 174	¥ 174
Total deferred tax liabilities	<u>¥ 174</u>	<u>¥ 174</u>

The reconciliation of tax rate difference between the statutory tax rate and the effective tax rate was as follows:

	For the six months ended	
	August 31, 2010	February 28, 2011
Statutory tax rate.....	39.33%	40.75%
Estimated allowable dividend distribution (*).....	(35.46)	(40.74)
Other.....	0.01%	0.02%
Effective tax rate.....	<u>3.88%</u>	<u>0.03%</u>

*OJR follows a policy of making dividend distributions in excess of 90% of earnings available for dividends for a period to meet conditions set forth in the Special Taxation Measures Law of Japan to deduct dividend distributions for income tax purposes. Based on this particular policy, as of August 31, 2010, OJR determined to pay out a distribution in cash of ¥4,041million, which is nearly equal to the retained earnings remaining after deducting the amount appropriated to the reserve for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures Law. Meanwhile, as of February 28, 2011, OJR calculated the amounts of the dividend distributions as amounts nearly equal to the retained earnings and has determined to pay out a distribution in cash of ¥3,292 million.

8. Net Assets

OJR shall maintain its net assets at least ¥50 million as required by the Investment Trust Law of Japan.

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

As of February 28, 2011, retained earnings include a reserve for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures Law of ¥267 million.

Cash dividends are declared by the Board of Directors after the end of each period. Such dividends are payable to unitholders of record at the end of each period. On April 22, 2011, the Board of Directors of OJR declared a cash dividend (¥13,083 per unit) totaling ¥3,292 million, which will be paid to unitholders of record as of February 28, 2011. The declaration of this dividend has not been reflected in the financial statements as of February 28, 2011.

9. Related-Party Transactions

There were no related-party transactions that are required to be disclosed under Article 8-10 of regulations concerning financial statements for the six months ended August 31, 2010 and February 28, 2011, respectively.

10. Breakdown of Rental and Other Operating Revenues, and Property-Related Expenses

Rental and other operating revenues and property-related expenses for the six months ended August 31, 2010 and February 28, 2011 consisted of the following:

	(In millions of yen)	
	For the six months ended	
	August 31, 2010	February 28, 2011
Rental and other operating revenues:		
Rentals:		
Rental revenues.....	¥ 8,322	¥ 8,537
Common-area charges.....	801	783
Revenues from finance lease of property	<u>193</u>	<u>194</u>
Subtotal.....	<u>9,316</u>	<u>9,514</u>
Others:		
Parking lots.....	206	232
Cancellation penalty received.....	26	73
Miscellaneous.....	<u>995</u>	<u>922</u>
Subtotal.....	<u>1,227</u>	<u>1,227</u>
Total rental and other operating revenues.....	<u>¥ 10,543</u>	<u>¥ 10,741</u>
Property-related expenses:		
Property management fees.....	¥ 879	¥ 921
Depreciation.....	2,070	2,171
Utility charges.....	848	842
Property and other taxes.....	791	768
Cost of finance lease of property.....	74	74
Others.....	<u>207</u>	<u>170</u>
Total property-related expenses.....	<u>¥ 4,869</u>	<u>¥ 4,946</u>

11. Breakdown of Gains or Loss on Sale of Real Estate Properties

Gains or loss on sale of real estate properties during the periods ended August 31, 2010 and February 28, 2011 were as follows:

(In millions of yen)			
For the six months ended August 31, 2010			
ORIX Jimbo-cho Building		ORIX Shinjuku Building	
Revenue from sale of real estate properties	¥ 4,150	Revenue from sale of real estate properties	¥ 9,000
Cost of real estate properties	3,986	Cost of real estate properties	7,865
Other sales expenses	<u>33</u>	Other sales expenses	<u>186</u>
Gains on sale of real estate properties	<u>¥ 131</u>	Gains on sale of real estate properties	<u>¥ 949</u>
Grand Maison Hakusan		Round-Cross Akasaka Mitsuke	
Revenue from sale of real estate properties	¥ 425	Revenue from sale of real estate properties	¥ 1,785
Cost of real estate properties	420	Cost of real estate properties	1,657
Other sales expenses	<u>3</u>	Other sales expenses	<u>51</u>
Gains on sale of real estate properties	<u>¥ 2</u>	Gains on sale of real estate properties	<u>¥ 77</u>
(In millions of yen)			
For the six months ended February 28, 2011			
Sonet Kami Ikebukuro			
Revenue from sale of real estate properties	¥ 2,146		
Cost of real estate properties	2,174		
Other sales expenses	<u>22</u>		
Loss on sale of real estate properties	<u>¥ 50</u>		

12. Leases

OJR, as a lessor, operates its properties that are rented to tenants on lease terms of generally two years, with monthly payments due in advance. For operating leases that include non-cancelable lease terms, the minimum future rentals on such non-cancelable operating leases as of August 31, 2010 and February 28, 2011 were as follows:

	(In millions of yen)	
	As of August 31, 2010	As of February 28, 2011
Due within one year	¥ 4,319	¥ 4,659
Due after one year	<u>19,410</u>	<u>19,653</u>
Total	<u>¥ 23,729</u>	<u>¥ 24,312</u>

In addition, OJR, as a lessor, leases its properties to customers under finance lease arrangements in which the ownership of the leased property is not deemed to be transferred to the lessee. The following provides certain information for those lease transactions:

(a) Breakdown of investment in finance lease

	(In millions of yen)	
	As of August 31, 2010	As of February 28, 2011
Minimum lease payments receivable	¥ 5,057	¥ 4,918
Estimated residual value	1,353	1,356
Unearned interest income equivalents	<u>(2,918)</u>	<u>(2,838)</u>
Investment in finance lease	<u>¥ 3,492</u>	<u>¥ 3,436</u>

(b) Amounts to be collected of minimum lease payments receivable related to investment in finance lease

	(In millions of yen)	
	As of August 31, 2010	As of February 28, 2011
Due within one year	¥ 350	¥ 352
Due after one to two years	350	352
Due after two to three years	350	352
Due after three to four years	350	352
Due after four to five years	350	352
Over five years	<u>3,307</u>	<u>3,158</u>
Total	<u>¥ 5,057</u>	<u>¥ 4,918</u>

- (c) As for finance lease transactions entered into during the fiscal periods started before April 1, 2008 that do not transfer ownership of the leased property to the lessee, their proper book value as fixed assets (net of accumulated depreciation) recorded at the end of August 2008 was transferred from property and equipment to investment in finance lease as the initial recorded amount of the investment in finance lease at the beginning of the fiscal period started on September 1, 2008, as permitted by the Japanese GAAP.

The interest income equivalents of those finance lease transactions are taken into income over the remaining lease term based on a straight-line method.

Consequently, income before income taxes for the period ended August 31, 2010 and February 28, 2011 is ¥28 million less and ¥26 million less, respectively, than the amount that would have been recorded had those finance lease transactions been retrospectively accounted for as financing by using the interest method.

13. Derivative Transaction

OJR uses a derivative transaction in order to hedge risks defined in its Articles of Incorporation based on its financial policy. OJR uses a derivative financial instrument such as an interest rate swap only for the purpose of avoiding future risks of interest rate increases relating to a loan, but does not enter into such transactions for speculative or trading purposes.

The derivative transactions as of August 31, 2010 and February 28, 2011 were as follows:

	Notional amount	(In millions of yen)	
		Notional amount exceeding one year	Estimated fair value Unrealized gain (loss)
< As of August 31, 2010 >			
Interest-rate swap:			
Fixed rate payable and floating rate receivable	¥ 8,500	¥ 8,500	¥ (136)
<As of February 28, 2011>			
Interest-rate swap:			
Fixed rate payable and floating rate receivable	¥ 8,500	¥ 8,500	¥ (94)

The fair value of the interest rate swap is estimated using a price that is calculated by the counterparty based on current market interest rate and other relevant information.

Since the above interest rate swap qualifies for hedge accounting and meets certain matching criteria, the swap is not recorded at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

In addition, since the swap and the long-term debt hedged by the swap are accounted for as a unit, fair value of the swap is disclosed as part of the fair value of the hedged long-term debt in the fair value disclosure in Note 4, "Financial instruments."

14. Investment and Rental Property

Effective from the fiscal period ended August 31, 2010, OJR adopted the "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No.20 issued on November 28, 2008) and the "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No.23 Issued on November 28, 2008). Pursuant to the new requirements, information about fair value of investment and rental property included in the financial statements at August 31, 2010 and February 28, 2011 are as follows.

(For the period from March 1, 2010 to August 31, 2010)

OJR owns rental office buildings and other properties for rent in the Tokyo Metropolitan area and other areas. Book value, net change in the book value and fair value are shown in the following table.

Book value			Fair value
As of February 28, 2010	Net change during period	As of August 31, 2010	As of August 31, 2010
263,402	22,528	285,930	274,342

Notes: 1. Book value is calculated by deducting accumulated depreciation from acquisition cost.

2. The principal increase in the book value during the period includes acquisition of seven properties (OX Tamachi Building, ORIX Meguro Building, Omiya Shimochō 1-chome Building, Sakai Logistics Center North Building, aune Kohoku, aune Makuhari, and the Kobe Momoyamadai Shopping Center (site)) for ¥38,438 million. The major decrease during the period is attributable to the disposal of four properties (Round-Cross Akasaka Mitsuke, ORIX Jimbo-cho Building, ORIX Shinjuku Building, and Grand Maison Hakusan) of ¥13,918 million, and recognition of depreciation expenses.

3. Fair value as of the end of the current accounting period is determined based on appraised value provided by independent real estate appraisers.

Profit and loss of the rental properties for the period ended August 31, 2010 is disclosed in Note 10, "Breakdown of Rental and Other Operating Revenues, and Property-Related Expenses" and Note 11, "Breakdown of Gains and loss on sale of Real Estate Properties."

(For the period from September 1, 2010 to February 28, 2011)

OJR owns rental office buildings and other properties for rent in the Tokyo Metropolitan area and other areas. Book value, net change in the book value and fair value are shown in the following table.

(In millions of yen)

Book value			Fair value
As of August 31, 2010	Net change during period	As of February 28, 2011	As of February 28, 2011
285,930	8,598	294,528	281,499

Notes: 1. Book value is calculated by deducting accumulated depreciation from acquisition cost.

2. The principal increase in the book value during the period includes acquisition of three properties (ORE Sapporo Building, Okayama Kume Retail Facility, Shibaura Island Bloom Tower) for ¥12,744 million. The major decrease during the period is attributable to the disposal of one property (Sonet Kami Ikebukuro) of ¥2,047 million, and recognition of depreciation expenses.

3. Fair value as of the end of the current accounting period is determined based on appraised value provided by independent real estate appraisers.

Profit and loss of the rental properties for the period ended February 28, 2011 is disclosed in Note 10, “Breakdown of Rental and Other Operating Revenues, and Property-Related Expenses” and Note 11, “Breakdown of Gains and loss on sale of Real Estate Properties.”

15. Asset retirement obligations

In accordance with fixed-term lease agreements, OJR has obligations associated with restoration of leased land to their original state upon their return. OJR recognizes such obligations by amortizing leasehold and security deposits.

16. Segment Information

Effective from the fiscal period ended February 28, 2011, OJR adopted the “Accounting Standard for Disclosure about Segment Information” (ASBJ Statement No.17 issued on March 27, 2009) and the “Guidance on Accounting Standard for Disclosure about Segment Information” (ASBJ Guidance No.20 Issued on March 21, 2008).

Furthermore, segment information for the fiscal period ended August 31, 2010 has been omitted because OJR has only one segment of the real estate leasing business.

(For the period from September 1, 2010 to February 28, 2011)

<Segment Information>

Segment information has been omitted because OJR has only one segment, which is real estate leasing business.

<Related Information>

1. Information by Products and Services

Disclosure of this information has been omitted because operating revenues from external customers in a single product/service category account for more than 90% of total operating revenues.

2. Information by Geographic Areas

(a) Operating revenues

Disclosure of this information has been omitted because operating revenues from external customers in Japan account for more than 90% of total operating revenues.

(b) Property and equipment

Disclosure of this information has been omitted because the amount of property and equipment located in Japan accounts for more than 90% of net property and equipment.

3. Information by Major Customer

Disclosure of this information has been omitted because operating revenues from a single external customer account for less than 10% of total operating revenues.

17. Subsequent Events

(a) Cash Distribution Declared

On April 22, 2011, the Board of Directors of OJR resolved to distribute cash payment of ¥13,083 per unit, aggregating to ¥3,292 million, to its unitholders of record as of February 28, 2011.

(b) Sale of property

OJR sold the Round-Cross Moto Yoyogi after the end of the 18th period, and outline of the transaction was as follows. This was done in accordance with OJR’s asset management policy stipulated in the Articles of Incorporation.

Round-Cross Moto Yoyogi

1. Sales price	¥4,807 million ^(*)
2. Assets to be transferred	Real estate
3. Contract date	February 18, 2011
4. Delivery date	March 1, 2011
5. Buyer	A Japanese special purpose company ^(*)
6. Estimated impact of sale	Approximately ¥331 million of gain on sale of real estate property will be recorded.

Notes:

(*) Sales price represents a price agreed in the sales agreement, and does not include transaction expenses such as the broker's commission, taxes and public dues and so on.

(*) As consent for disclosure has not been obtained from the buyer, OJR does not disclose its name.

(c) The issuance of new investment units

The issuance of new investment units was resolved at OJR's board of directors' meetings held on May 9, 2011 and May 18, 2011. The publicly offered new investment units, the proceeds of which were received in full on May 25, 2011, were issued under the following conditions. The payment date for new investment units issued through third party allotment (with over-allotment option) is scheduled for June 24, 2011.

[The issuance of new investment units by a public offering]

The number of units issued.....	31,250 units
The issuing price (offering price).....	¥412,735
The aggregate proceeds based on the offering price.....	¥12,897,968,750
The issuing price (issue price).....	¥398,693
The aggregate proceeds based on the issue price.....	¥12,459,156,250
The payment date.....	May 25, 2011
The date from which the unitholders are deemed to be eligible for dividends.....	March 1, 2011

[The issuance of new investment units by third party allotment]

The number of units issued.....	1,562 units
The issuing price (issue price).....	¥398,693
The aggregate proceeds based on the issue price.....	¥622,758,466
The allotted party.....	Daiwa Securities Capital Markets Co. Ltd.
The payment date.....	June 24, 2011

Note: Some or all of the investment units offered for sale under third party allotment may not be subscribed to, resulting in a decrease in the number of investment units issued or no investment units being issued at all.

Corporate Data

Corporate Office

4-1, Hamamatsucho 2-chome, Minato-ku, Tokyo, 105-6135, Japan
PHONE +81-3-3435-3286
FAX +81-3-3435-3275

Date of Incorporation

September 10, 2001

Capital (as of February 28, 2011)

¥137,814 million
251,622 units

Number of Unitholders (as of February 28, 2011)

15,975

Transfer Agent

The Sumitomo Trust and Banking Company, Limited.
5-33, Kitahama 4-chome, Chuo-ku, Osaka, 540-8639, Japan

Independent Auditors

KPMG AZSA LLC
1-2, Tsukudo-cho, Shinjuku-ku, Tokyo, 162-8551, Japan

Investor Relations

For further information, please contact our asset management company or visit our web site.
(<http://www.orixjreit.com/english/index.htm>)

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About Our Website

The website has been designed with focus on “Ease of Use,” “Abundance of Information” and “Ease of Understandability” from the viewpoint of unitholders.

<http://www.orixjreit.com/english/>

•Details of Properties

1 With the introduction of Google Maps, information on the surrounding areas of respective properties can now be obtained in more detail.

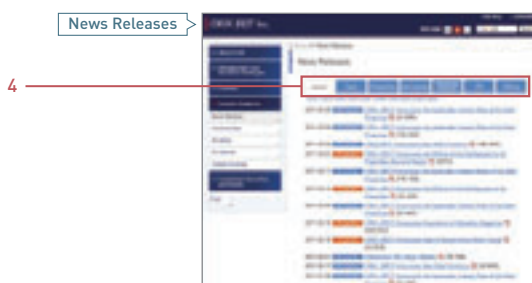
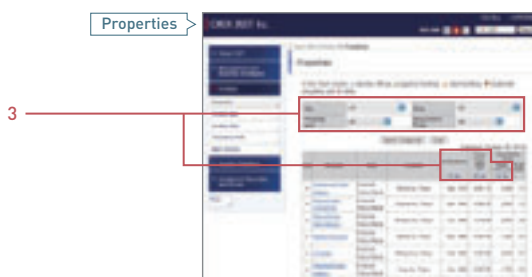
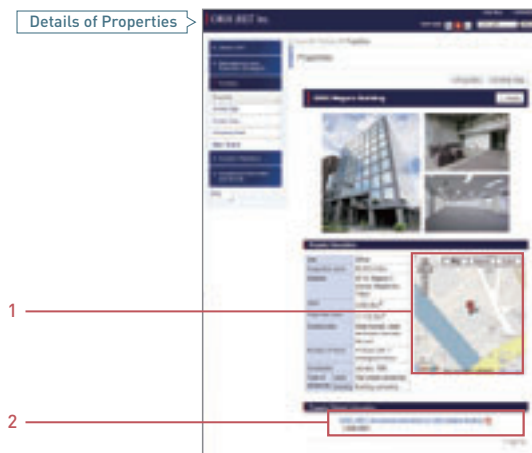
2 It is now easier to gather information on properties with related news releases supplementing other information related to properties.

•Properties

3 Searches specific to “Use,” “Area,” “Property Size” and “Acquisition Price” can now be made, in addition to sorting functions by “Completion,” “Total Floor Area” and “Acquisition Price.”

•News Releases

4 News Releases are now easy to search for, as they are identified under seven categories including “Properties,” “Borrowings,” “Financial Results,” “PO” and “Others” in addition to classification by year.



Disclaimer

This report includes translations of certain Japanese documents originally filed under the Financial Instruments and Exchange Law of Japan and related accounting regulations. This report was prepared in English solely as a reference for the convenience of readers outside Japan and is not intended to constitute a disclosure statement.

English terms for Japanese legal, accounting, tax, and business concepts used herein may not be precisely identical to the concepts of the equivalent Japanese terms. With respect to all terms herein, including without limitation, the financial statements, the original Japanese documents shall govern in meaning and interpretation for any discrepancies between the original Japanese documents and the corresponding English statements.

None of ORIX JREIT Inc. (OJR), ORIX Asset Management Corporation (OAM), or any of their respective directors, officers, employees, partners, shareholders, agents, or affiliates shall be responsible or liable for the completeness, appropriateness, or accuracy of the English translations or the selection of any portion of any document translated into English.

The financial statements of OJR have been prepared in accordance with accounting principles generally accepted in Japan (the “Japanese GAAP”), which are different in certain respects to the application and disclosure requirements of International Financial Reporting Standards.

This report contains forward-looking statements, including forecasts of financial position, results of operations, and business-related matters, as well as statements related to the plans and goals of the management of OAM. However, there are a number of known and unknown risks and uncertainties that can cause actual results or OJR performance to differ materially from any explicit or implicit forecasts presented herein. These forward-looking statements also rest on a number of assumptions with regard to OJR’s present and future management strategies, as well as the political and economical environments in which OJR will conduct its future business operations.