NEWS RELEASE

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R&I Assigns A+ Stable: Orix JREIT Inc.

Rating and Investment Information, Inc. (R&I) has announced the following.

ISSUER:	**Orix JREIT Inc. (Sec. Code: 8954)**
	Issuer Rating
R&I RATING:	A+ (Newly Assigned)
RATING OUTLOOK:	Stable

RATIONALE:

Listed on the stock exchange in June 2002, Orix JREIT Inc. (OJR) is a real estate investment trust (J-REIT) with assets comprising 40 properties with a value of 209.0 billion yen (on an acquisition basis, including residual equity in Akasaka 2-chome building not owned by OJR). OJR is a diversified fund with investments centering on office buildings in the Tokyo metropolitan area as well as properties for other uses. OJR's sponsor is Orix Corp.

OJR's portfolio consists largely of office buildings (87%) and hotels, commercial facilities, logistics facilities, and properties for other purposes accounting for the remainder (13%). The majority of OJR's holdings are in the Tokyo metropolitan area, with 57% located in Tokyo's six central wards and 27% in other metropolitan areas outside the six central wards. The average acquisition price per property is 5.2 billion yen and the weighted average age at acquisition value is relatively new at 10 years. R&I's appraisal of OJR's portfolio is 200.1 billion yen, which is about 95.7% of the acquisition value.

OJR targets mainly medium- to large-scale office buildings in highly convenient locations for investment. When it was first listed, its portfolio included some small-scale properties where there was some concern with respect to competitiveness. However, it has sold those holdings and has introduced a number of relatively new, promising "spec" properties in prime locations developed by the Orix group. As a result, the quality of the portfolio has improved considerably. In June, it also sold off the Landic Akasaka Building which, due to its advancing age, was of some concern.

To demonstrate its uniqueness as a diversified REIT, the trust plans to pursue an investment plan it has called the "OJR WAY" where it will invest in real estate under development or property types where evaluation has not necessarily been established in the market(such as logistics facilities, and limited proprietary rights in land). Compared with investment in office buildings or in residential properties already in operation, this type of real estate requires a high level of expertise in making investment judgments as well as operational know-how, but OJR can complement its management resources with support from the Orix group which is involved in a wide range of real estate businesses. Furthermore, it has set a ceiling of 20% of its total acquisition value for investment in assets of this type.

The scale of OJR's assets has topped 200 billion yen and as a REIT where offices constitute the main holdings, its property composition as well as tenant composition are relatively well diversified. The majority of its acquisitions to date have been contributed by the sponsor group and, in the future too, OJR is expected to sustain stable growth by taking advantage of its sponsor channels.

OJR aims to keep debt ratio within a range of 40 to 50%. Four years have already passed since its listing and during that time it has consistently remained within the target range of this ratio by undertaking capital increases on two occasions in the course of pursuing external growth. The ratio remains at about 39% at present.

Based on the company's business plans and past performance, R&I did projections on the medium-term transition of its own loan-to-value ratio (interest bearing debt plus deposits and guarantees excluding reserves divided by R&I's appraisal of the total value of the trust's

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properties) and according to these projections, its loan-to-value (LTV) ratio as R&I defines it is expected to be maintained on the whole at a favorable level between 40% to mid-50% level.

The composition of OJR's liabilities consists almost entirely of long-term loans with repayment periods of five to seven years. Since they are term loans on fixed interest, sensitivity to interest rate rises has been reduced. Although 44% of its borrowings are secured loans, all of its recent loans are unsecured. Funding sources and repayment dates are also relatively well distributed. OJR also has an unsecured commitment line of 30 billion yen, so liquidity is good.

Inspections by the Securities and Exchange Surveillance Council (SESC) since March this year have indicated violations in OJR's obligations of due diligence as a corporate entity in a number of areas: failure to hold board meetings, failure by Orix Asset Management (OAM) as OJR's asset management company to undertake property inspections, and inappropriate management of OJR's board of directors. In view of the findings following inspections of OJR, the Head of Kanto Local Finance Bureau imposed a business improvement order on OJR and the Financial Services Agency ordered a business improvement and a three-month partial business suspension on OAM (forbidding the commissioning of any REIT management apart from that of OJR) respectively.

R&I believes that the impact of the administrative order on OJR's asset management and financial position will be minor but will pay attention to efforts on the part of OJR and OAM to prevent a recurrence of such incidents by following the business improvement plan the two companies submitted in August. Furthermore, there have been indications of improper board management by other investment trusts. In the wake of a series incidents involving administrative disciplinary action, the J-REIT industry in general will be pressed to further strengthen its framework of compliance.

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Issuer Rating is an R&I's opinion regarding an issuer's overall capacity to repay its entire financial obligation, and it will be assigned to all issuers. The rating of individual obligations (i.e. bonds and loans etc.) includes the prospect of recovery and reflects the terms and conditions of the agreement and it may be lower or higher than Issuer Rating.

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