

*[Provisional Translation Only]*

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*Should there be any discrepancies between the translation and the Japanese original, the latter shall prevail.*

ORIX JREIT Inc. (TSE: 8954)  
Hiroshi Ichikawa  
Executive Director

*Inquiries:*

ORIX Asset Management Corporation  
Mitsuo Sato  
Director, Corporate Executive Vice President  
Tel: +81-3-3435-3285

**Notice of Administrative Disciplinary Actions Taken Against  
ORIX Asset Management Corporation**

TOKYO, July 21, 2006 — ORIX JREIT, Inc. (“OJR”) announced that the investment trust management company, ORIX Asset Management Corporation (“OAM”), received an business suspension order on July 21, 2006 from the Financial Services Agency under the provisions of Article 42, Paragraph 1, Item A of the Investment Trust and Investment Corporation Law (“the Law”) (prohibiting the execution and delivery of new asset management contracts for three months) and also received a business improvement order under the provisions of Article 40, Paragraph 1 of the Law on the same date.

OAM regards these administrative disciplinary actions with due gravity, and expresses its sincere apologies to all concerned parties for these circumstances. The Company is working to prevent a recurrence of these problems by ingraining regulatory compliance, and by establishment and improvement of internal management systems.

**1. Details of Disposition**

- (1) Business Suspension Order: (3 months: prohibiting the execution and delivery of new asset management contracts, under Article 42, Paragraph 1, Item 1 A of the Law)

The business suspension order prohibits the execution and delivery of new asset management contracts for the management of the assets of other investment trust corporations and investment trusts for three months on and after the next business day of the effectiveness of the order.

Asset management business for OJR on the basis of existing asset-management contracts, including acting as OJR’s agent for the acquisition, transfer, and management of assets, are not within the scope of this business suspension order. Therefore, no particular effect on the management of OJR’s assets is anticipated.

- (2) Business Improvement Order (Article 40, Paragraph 1 of the Law)

- (a) To ensure the fair and proper conduct of business as an investment trust management company, OAM has been ordered to adopt a management stance that emphasizes regulatory compliance; have management personnel establish compliance and internal controls systems to ensure compliance with legal and regulatory obligations; and revisit operational management solutions to ensure the steady realization of the foregoing.
- (b) In particular, OAM has been ordered to take concrete steps to prevent a recurrence of the problems described above. These measures are to include the implementation of a system of checks sufficient to ensure compliance with all pertinent statutes and regulations when taking on the acquisition and management of assets for an investment corporation, including on-site inspections of the property in question, and the provision of proper documents to an appraisal company to ensure that the property is acquired at its appropriate appraisal value.

- (c) OAM has been ordered to implement appropriate operational systems from the standpoint of legal and regulatory compliance to govern its activities with regard to performing institutional operations and administrative duties consigned from investment corporations.
- (d) OAM has been ordered to clarify responsibilities, including those of management personnel, based on the results of the recent inspection.
- (e) OAM has been ordered to submit a written operational improvement plan for the achievement of the measures in items (a) through (d) by August 21, 2006, and shall immediately undertake the same.

## **2. Date of Receipt of Disposition** July 21, 2006

### **3 Reasons for Disposition**

- (1) Failure of duty of care with regard to the investment corporation asset management business:  
OAM has failed to meet the duty of care it owes to OJR in that it failed to conduct appropriate assessment of properties acquired in connection with asset-management contracts with OJR during the period from December 2001 through March 2006, which should have been made at the time of acquisition of real estate by OJR. These actions constitute a breach of OAM's duty of care owed to OJR under the provisions of Article 34-2, Paragraph 2 of the Law.
- (2) Failure of duty of care as a general business administrator:  
OAM has, in the course of conducting its general business administration for OJR as a general business administrator in the area of institutional management practices, at 88 of the 130 meetings of OJR's board of directors that is said to be held between September 2001 and February 2006, to which the Executive Director and three supervisory directors, the members of the board of directors, were not actually present as required. Instead, OAM has send proposals for the minutes of meetings and/or made explanations to the members of OJR's board of directors in advance. Then, later, OAM asked minutes of the board of directors to be prepared giving the impression that OJR's board of directors had actually present in person and approved resolutions, which is an approval via the circulation of documents. Because OAM engaged in these management practices, matters that legally required the approval of OJR's board of directors were approved only through the circulation of documents. As described above, although OAM undertook to perform institutional management and administration for OJR as a general business administrator, OAM failed to perform its duties of care, and OJR's executive director and supervisory directors, through desultory performance of duty. As a result, OJR continually failed to exercise the important decision-making functions of the board of directors of an investment corporation. The actions of OAM above constitute a breach of its duty of care owed to OJR under the provisions of Article 112, Paragraph 2 of the Investment Trust and Investment Corporation Law, as effective prior to the 2005 revision of Article 87.

### **4. Future Actions and Outlook**

OAM regards this administrative disciplinary actions with due gravity. To correct the discrepancies cited by the Financial Services Agency and prevent any recurrence, OAM is now restructuring its organizations and making radical changes to its internal controls system, including the addition of personnel. Concrete operational reform plans will be announced as soon as such plans are adopted. Further, OAM is now considering adoption of the change in title of directors as described below upon proposal from Mr. Hiroshi Ichikawa, the Representative Director and President. Such change in title of directors will be announced when duly authorized by the board of directors.

**(Present)**

Koichiro Muta, Chairman  
Hiroshi Ichikawa, Representative Director and President  
Mitsuo Sato, Director, Corporate Executive Vice President  
Tetsuya Yamashita, Director

**(After the change)**

Mitsuo Sato, Representative Director & President  
Koichiro Muta, Director  
Tetsuya Yamashita, Director

Hiroshi Ichikawa will assume the office of the corporate advisor of OAM after resignation of director.

In addition, there is no revisions to current forecasts of performance of OJR.

Through the measures outlined above, OAM is exerting itself to the utmost to regain its status as a reputable investment trust management company.

Today, the original Japanese version of this material is being distributed to the Kabuto Club, the Ministry of Land, Infrastructure and Transport Press Club, and the Ministry of Land, Infrastructure and Transport Press Club for Construction Publications.