

*[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 Regarding the Administrative Disciplinary Actions Taken Against ORIX JREIT**

TOKYO, July 21, 2006 — ORIX JREIT, Inc. ("OJR") received a business improvement order from the Director-General of the Kanto Local Finance Bureau under the provisions of Article 214, Paragraph 1 of the Investment Trust and Investment Corporation Law on July 21, as described below.

OJR offers its heartfelt apology to all concerned parties for these circumstances. OJR regards these administrative disciplinary actions with due gravity, and is making a serious effort to prevent these problems or anything like them from happening again by further ingraining regulatory compliance.

**1. Details of the Business Improvement Order**

Considering that OJR violated the laws and regulations by not holding its board of directors' meetings, etc., it is required to take the following actions and report the status of same in writing to the Tokyo Local Finance Office by August 21, 2006.

- (1) Expand and strengthen regulatory compliance functions.
- (2) Formulate and implement effective measures to prevent a recurrence of these actions, and clarify where responsibilities lie.

**2. Reasons for Issuance of Business Improvement Order**

At 88 of the 130 meetings of OJR's board of directors that was said to be held between September 2001 and February 2006, the Executive Director and three Supervisory Directors, the members of the board of directors, were not present as required by law. Instead, the members of the board of directors received from OAM proposed drafts of the minutes of meetings and/or an explanation in advance of the meetings, and then minutes were subsequently prepared and sealed to give the impression that the board members had attended the subject meetings, when in fact, they had approved the resolutions via the circulation of documents rather than by holding actual in-person meetings of the board of directors.

Due to such OJR's practice, OJR has conducted businesses which should be approved by the board of directors, including those required to be approved by the board of directors as required by laws and regulations, without obtaining such approval by the board of directors duly held.

OJR's practice of adopting resolutions by simply circulating documents for approval did not satisfy the requirements for valid resolutions of the boards of directors, as specified in Article 260-2, Paragraph 1 of the Commercial Code of Japan, as applied *mutatis mutandis* to Article 108 of the Investment Trust and Investment Corporation Law ("Law") as applied prior to amendment by Law No. 87 of 2005. Accordingly, a number of actions taken that in fact required the approval of OJR's board of directors were in violation of Article 87, Item 2, 3, 7 and 8 of Article 97, Paragraph 2, Article 120 and Article 131 of the Law.

### 3. Measures for Improvement

OJR regards the business improvement order with due gravity, and it intends to implement the improvement measures as outlined below to cope with the problems pointed out in this order.

(1) Measures to prevent recurrence

These measures include review and categorization of types of subjects for discussion at board of directors' meetings to determine which items require a resolution and which items can be treated as reports, setting a date for monthly meetings of the board of directors, and ensuring the presence of the Executive Director and supervisory directors at board meetings. Together with this, OJR is establishing conditions for convening meetings of the board of directors flexibly, when an ad hoc meeting of the board of directors is necessary, including legal and proper teleconferences.

(2) Commitment to legal and regulatory compliance

OJR will receive written pledges of legal and regulatory compliance from all members of the board of directors, and working to ingrain in them a heightened awareness of legal and regulatory compliance issues. OJR is studying and will implement measures to strengthen its legal and regulatory compliance functions, including introduction of oversight functions by attorneys and other outside specialists.

(3) Clarifying responsibilities

All members of the board of directors must be acutely aware of their responsibility for the illegal actions subject to the administrative disciplinary order, and measures to clarify the locus of responsibility are under study.

Through the measures above and other means, OJR is exerting its utmost efforts to regain the trust of all investors and other concerned parties.

OJR's Executive Director, Mr. Hiroshi Ichikawa is scheduled to step down from such position, and candidate for successor to his position is scheduled to be Mr. Koichiro Muta, a director of Orix Asset Management Corporation. The appointment of a successor is a matter for the general meeting of investors. Therefore, the date of the executive director's resignation and the date of the general meeting of investors will be announced as soon as they are determined.

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.