

ORIX JREIT (“OJR”) Report

The 31st Fiscal Period

From March 1, 2017 to August 31, 2017

ORIX JREIT Inc.

I Performance Report

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■ Investment Performance Overview

1. Financial Highlights

		30 th Period From September 1, 2016 to February 28, 2017	31 st Period From March 1, 2017 to August 31, 2017
(In millions of yen, unless otherwise indicated)			
Operating revenues		¥22,203	¥22,484
Rental revenues		18,815	19,897
Other operating revenues		2,371	2,587
Gains on sale of real estate properties		1,016	-
Operating expenses		11,553	12,291
Property-related expenses		9,910	10,564
Operating income		10,650	10,192
Ordinary income		9,121	8,672
Net income		9,107	8,657
Total assets	(a)	639,534	657,898
Net assets	(b)	308,823	334,685
Unitholders' capital		297,867	323,282
Total number of units issued (units)	(c)	2,524,623	2,680,000
Net assets per unit (Yen)	(b)/(c)	122,324	124,883
Total cash distribution	(d)	8,210	8,656
Distribution per unit (Yen)	(d)/(c)	3,252	3,230
Distribution of retained earnings per unit (Yen)		3,252	3,230
Distribution in excess of retained earnings per unit (Yen)		-	-
ROA (%) ⁽¹⁾		1.5(3.0)	1.3(2.7)
ROE (%) ⁽¹⁾		3.0(6.1)	2.7(5.4)
Equity ratio (%)	(b)/(a)	48.3	50.9
Payout ratio (%) ^{(1) (4)}		90.1	99.9
<i>Supplemental Information</i>			
Number of real estate properties		109	110
Number of tenants ⁽³⁾		1,001	1,019
Total rentable area (m ²) ⁽³⁾		1,155,009.43	1,160,490.21
Occupancy rate (%) ^{(3) (5)}		98.7	98.6
Depreciation		3,956	4,015
Capital expenditures		665	1,615
NOI from property leasing activity ^{(1) (2)}		15,307	16,010
FFO ^{(1) (2)}		12,121	12,747

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 – Gain on sale of real estate properties
 Financial data included in the field have been prepared on a 6-month basis.
 However, the ratios in parentheses 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 the numbers for 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 31st fiscal period, OJR acquired CENTRUM ROPPONGI (acquisition price: ¥12,400 million) on June 23, 2017. As a result of the aforementioned activity, OJR's portfolio included 110 properties as of August 31, 2017 (54 office buildings, 5 logistics facilities, 29 retail facilities, 14 residential properties, and 8 hotels and others), with 1,160,490.21 m² of total rentable floor space, 1,019 tenants and an occupancy rate of 98.6%. The total amount invested in real estate and real estate held in trust (total of acquisition prices), which included the properties accounted for as investment in finance lease, was ¥634,841 million. The total of book values and calculated prices (appraisal values based on the evaluations by six appraisers) of the real estates and real estates held in trust, which included the properties accounted for as investment in finance lease, as of August 31, 2017 were ¥594,402 million and ¥703,100 million, respectively.

Subsequent to the end of the 31st fiscal period, OJR plans to acquire HOTEL LiVEMAX NAGOYA SAKAE-EAST (acquisition price: ¥1,500 million) on December 26, 2017. OJR sold Round-Cross Minami Azabu (sale price: ¥1,632 million) on December 8, 2017. Details are disclosed in the press releases dated December 6, 2017. This transaction will bring the total number of properties to 110 and the total amount invested in real estate and real estate held in trust (total of acquisition prices) to ¥634,947 million, which includes the properties accounted for as investment in finance lease.

In the 31st period, operating revenues were ¥22,484 million and net income was ¥8,657 million. Total cash distribution was ¥8,656 million, the distribution per unit was ¥3,230 (a 6.2% increase compared to our estimated distribution per unit of ¥3,040), and the distribution payout ratio was 99.9%.

As of the end of the 31st period, total assets were ¥657,898 million, total interest-bearing liabilities were ¥286,517 million (long-term debt excluding investment corporation bonds: ¥267,017 million, investment corporation bonds: ¥19,500 million), net assets were ¥334,685 million, and net assets per unit were ¥124,883.

Business environment and fund performance

Japanese Economy

The monthly economic report of October 2017 issued by the Japanese government stated that the Japanese economy was on a moderate recovery. Specifically, the government reported that: (i) private consumption had been picking up moderately; (ii) business investment had been picking up; (iii) exports had been picking up; (iv) industrial production had been picking up; (v) corporate profits had been improving. Firms' judgment on current business conditions had been improving; (vi) the employment situation had been improving; and (vii) consumer prices had been flat.

Concerning short-term prospects, the economy had been expected to recover, supported by the effects of the policies, while the employment and income situation was improving. However, attention should be given to the uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

Management Environment Surrounding OJR

The Japanese economy surrounding OJR continues to be on a moderate recovery trend while the world economy also continues with moderate improvements as evidenced by the gradual growth in the U.S. economy, despite some national or regional differences.

On the other hand, factors of instability in the world economy may be found due to mounting geopolitical tensions in Asia including North Korea, the Middle East and other regions.

Looking at the domestic real estate transaction market, expected yields have remained stable at low levels for all property types, and thus superior properties continue to be scarce. On the other hand, adjusting to the loosening of the supply-demand balance prior to the mass supply of large-scale offices in central Tokyo, had been a concern in the rental real estate market. However, as leasing of newly supplied buildings has been progressing smoothly in general, such concerns for the future have eased slightly.

New acquisitions

(As of November 22, 2017)

CENTRUM ROPPONGI	<p>Acquisition price: ¥12,400 million Acquisition date: June 23, 2017</p> <p>The property is located in a highly convenient area within approximately a 2 minute walk from Roppongi Station on the Tokyo Metro Hibiya Line and the Toei Oedo Line. There is also Nogizaka Station on the Tokyo Metro Chiyoda Line and Roppongi-itchohome Station on the Tokyo Metro Namboku Line available for use. The property commands scarcity value since it is relatively new, standing in an area where supply of middle-sized office buildings is especially limited among the major five wards of Tokyo. The property stands adjacent to quality residential areas such as Akasaka, Azabu and Aoyama. It has strong appeal to IT-related companies and foreign companies with a number of workers who are highly conscious of work-life balance and seek offices close to home. Needs from mass media/press-related companies are also strong since many TV stations are located in the area. Office section tenants are manufacturers, an IT company (cooking video app), a mail-order business operator, and a video creator. A convenience store, a restaurant and other facilities are housed on the lower floors to enhance convenience for office workers.</p>
HOTEL LiVEMAX NAGOYA SAKAE-EAST	<p>Acquisition price: ¥1,500 million Scheduled acquisition date: December 26, 2017</p> <p>The property is a hotel located within approximately a 9-minute walk from Subway Sakae Station on the Nagoya Subway Higashiyama Line and approximately a 10-minute walk from Subway Yaba-cho Station on the Nagoya Subway Meijo Line. The Sakae area, where this hotel stands, is only 2 stops (and 6 minutes ride) away from Nagoya Station, and is the largest commercial area in the Chubu region. The hotel was completed in September, 2017. OJR plans to acquire the hotel according to the purchase option agreement. Nagoya has seen 40% average annual growth of visitors for the past 5 years, and accommodation needs in the city have been increasing owing to its favorable location on 2 major sightseeing routes - the "Dragon route" connecting Nagoya and the Hokuriku region and the "Golden route" connecting Tokyo and Osaka. The hotel room occupancy rate in Nagoya has been over 80%. The hotel specializes in accommodation with 113 guest rooms. OJR concluded a fixed term lease agreement with LiVE Max Inc., which is the lessee and operator of the hotel. The rent is going to be fixed for the first 10 years, and is scheduled to be revised every 2 years from the 11th year. LiVE Max Inc. operates approximately 60 hotels with more than 3,000 guest rooms throughout the nation and is especially strong in low-end accommodation specialized hotels.</p>

Financing activities

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

As such, the following financing activities were implemented.

Equity Finance

On March 1, 2017, OJR issued new investment units through public offering (147,978 units, the total paid-in amount (issue value) of ¥24,204 million) and on March 28, 2017, issued new investment units through third-party allotment (7,399 units, the total paid-in amount (issue value) of ¥1,210 million) to procure funds for new property acquisitions.

Debt Finance

OJR made early repayments of short-term loans of ¥21,800 million, made to procure funds for property acquisition, by using proceeds from issue of new investment units through public offering made in March 2017. OJR took out long-term loans of ¥16,000 million in March 2017 to repay loans of which repayment dates arrived. OJR also took out long-term loans of ¥12,400 million in June 2017 to procure funds for property acquisition.

As a result of the activities above, as of August 31, 2017, outstanding loans amounted to ¥267,017 million, the balance of investment corporation bonds stood at ¥19,500 million, and the balance of interest-bearing debt totaled ¥286,517 million. The LTV (based on total assets) (Note 1) was 43.6%, LTV (based on unitholders' capital) (Note 2) was 47.0%, the fixed-rate debt ratio (Note 3) was 94.0%, and the long-term debt ratio (Note 4) was 86.2%.

Notes:

1. "LTV (based on total assets)" is the figure obtained by dividing the balance of interest-bearing debt by total assets stated on the balance sheet and is rounded to the first decimal place.
2. "LTV (based on unitholders' capital)" is the figure obtained by dividing the balance of interest-bearing debt by the sum of unitholders' capital on the balance sheet and the balance of interest-bearing debt and is rounded to the first decimal place.
3. The fixed-rate debt ratio is the figure obtained by dividing the balance of fixed-rate debt (including loans whose interest rates were fixed through interest rate swaps) by the balance of interest-bearing debt and is rounded to the first decimal place.
4. The long-term debt ratio is the figure obtained by dividing the balance of long-term debt (excluding long-term debt due within one year) by the balance of interest-bearing debt and is rounded to the first decimal place.

Financial results and distribution

OJR recorded operating revenues of ¥22,484 million and net income of ¥8,657 million for the 31st fiscal period.

The distribution in cash can be tax-deductible under Article 67-15 of the Special Taxation Measures Law, which requires dividend distribution in excess of 90% of the amount available for distributions. Based on this distribution policy, OJR determined to pay out a distribution in cash of ¥8,656 million, 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 of August 31, 2017. As a result, the distribution per unit was ¥3,230.

■ Fund Overview

1. Capitalization

Paid-in capital

In the 31st period (the six months ended August 31, 2017), OJR issued 147,978 and 7,399 new units through public offering and third party allotment, respectively.

The following table shows capital increases carried out in the recent five years.

Date	Remarks	Investment Units Outstanding		Paid-in Capital (In millions of yen)	
		Increase	Balance	Increase	Balance
March 1, 2013	Split of Units ⁽¹⁾	1,137,736	1,422,170	-	150,895
March 26, 2013	Additional Issuance of Units ⁽²⁾	160,915	1,583,085	19,089	169,985
April 24, 2013	Third party allotment ⁽³⁾	8,032	1,591,117	952	170,937
October 30, 2013	Additional Issuance of Units ⁽⁴⁾	91,788	1,682,905	10,516	181,454
November 27, 2013	Third party allotment ⁽⁵⁾	4,589	1,687,494	525	181,980
March 18, 2014	Additional Issuance of Units ⁽⁶⁾	265,410	1,952,904	31,535	213,515
April 16, 2014	Third party allotment ⁽⁷⁾	13,270	1,966,174	1,576	215,092
September 17, 2014	Additional Issuance of Units ⁽⁸⁾	147,343	2,113,517	18,568	233,661
October 9, 2014	Third party allotment ⁽⁹⁾	7,367	2,120,884	928	234,589
March 17, 2015	Additional Issuance of Units ⁽¹⁰⁾	109,381	2,230,265	16,985	251,574
April 10, 2015	Third party allotment ⁽¹¹⁾	5,470	2,235,735	849	252,424
September 1, 2015	Additional Issuance of Units ⁽¹²⁾	84,966	2,320,701	12,295	264,720
March 16, 2016	Additional Issuance of Units ⁽¹³⁾	95,830	2,416,531	15,270	279,990
April 12, 2016	Third party allotment ⁽¹⁴⁾	4,792	2,421,323	763	280,753
September 1, 2016	Additional Issuance of Units ⁽¹⁵⁾	98,381	2,519,704	16,298	297,052
September 28, 2016	Third party allotment ⁽¹⁶⁾	4,919	2,524,623	814	297,867
March 1, 2017	Additional Issuance of Units ⁽¹⁷⁾	147,978	2,672,601	24,204	322,072
March 28, 2017	Third party allotment ⁽¹⁸⁾	7,399	2,680,000	1,210	323,282

Notes:

- Effective March 1, 2013, OJR implemented a 5-for-1 unit split of the units held by unitholders registered on the register of unitholders as of February 28, 2013.
- Fifth public equity offering of 160,915 new units at ¥122,655 per unit (issue price per unit was ¥118,629) to acquire properties.
- Along with the public offering of Note 2, additional 8,032 units were allocated through private placement at ¥118,629 per unit.
- Sixth public equity offering of 91,788 new units at ¥118,462 per unit (issue price per unit was ¥114,574) to acquire properties
- Along with the public offering of Note 4, additional 4,589 units were allocated through private placement at ¥114,574 per unit.
- Seventh public equity offering of 265,410 new units at ¥122,850 per unit (issue price per unit was ¥118,818) to acquire properties
- Along with the public offering of Note 6, additional 13,270 units were allocated through private placement at ¥118,818 per unit.
- Eighth public equity offering of 147,343 new units at ¥130,162 per unit (issue price per unit was ¥126,023) to acquire properties
- Along with the public offering of Note 8, additional 7,367 units were allocated through private placement at ¥126,023 per unit.
- Ninth public equity offering of 109,381 new units at ¥160,387 per unit (issue price per unit was ¥155,287) to acquire properties
- Along with the public offering of Note 10, additional 5,470 units were allocated through private placement at ¥155,287 per unit.
- Tenth public equity offering of 84,966 new units at ¥149,467 per unit (issue price per unit was ¥144,714) to acquire properties
- Eleventh public equity offering of 95,830 new units at ¥164,580 per unit (issue price per unit was ¥159,347) to acquire properties.
- Along with the public offering of Note 13, additional 4,792 units were allocated through private placement at ¥159,347 per unit.
- Twelfth public equity offering of 98,381 new units at ¥171,112 per unit (issue price per unit was ¥165,671) to acquire properties.
- Along with the public offering of Note 15, additional 4,919 units were allocated through private placement at

- ¥165,671 per unit.
17. Thirteenth public equity offering of 147,978 new units at ¥168,850 per unit (issue price per unit was ¥163,568) to acquire properties.
 18. Along with the public offering of Note 17, additional 7,399 units were allocated through private placement at ¥163,568 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 30th and 31st periods are shown below in yen:

	From September 1, 2016 to February 28, 2017	From March 1, 2017 to August 31, 2017
High	¥185,100	¥179,200
Low	165,400	158,600

2. 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 ⁽⁴⁾	Use of funds	Repayment method	Note
Short-term loan (5)	Sumitomo Mitsui Trust Bank, Limited	7,400	-	Floating rate 0.18000	July 20, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Short-term loan (5)	Mizuho Bank, Ltd.	7,200	-	Floating rate 0.18000	July 20, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Short-term loan (5)	Mitsubishi UFJ Trust and Banking Corporation	7,200	-	Floating rate 0.18000	July 20, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Short-term loan total		21,800	-					
Long-term loan (term loan 21) (2), (6)~(8)	Mitsubishi UFJ Trust and Banking Corporation	5,500	-	Floating rate 0.59576	March 17, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Trust Bank, Limited	6,000	-					
	The Norinchukin Bank	4,500	-					
Long-term loan (term loan 22) (2)	Sumitomo Mitsui Trust Bank, Limited	4,000	4,000	Fixed rate 1.05815	September 19, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Mizuho Bank, Ltd.	2,000	2,000					
	Resona Bank, Limited	1,000	1,000					
Long-term loan (term loan 23) (2)	The Shinkumi Federation Bank	3,000	3,000	Floating rate 0.56690	September 19, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	THE TOHO BANK, LTD.	500	500					
Long-term loan	The Bank of Fukuoka, Ltd.	3,000	3,000	Fixed rate 1.05815	September 19, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Aozora Bank, Ltd.	1,550	1,550	Fixed rate 1.02067	October 4, 2017	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 25, tranche A) (2)	THE HIROSHIMA BANK, LTD.	1,000	1,000	Fixed rate 0.84402	February 21, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	The Bank of Yokohama, Ltd.	1,000	1,000					
Long-term loan (term loan 27, tranche B) (2)	Sumitomo Mitsui Trust Bank, Limited	700	700	Fixed rate 0.90802	March 19, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	1,200	1,200					
	Mitsubishi UFJ Trust and Banking Corporation	300	300					
	Mizuho Bank, Ltd.	500	500					
	The Shinkumi Federation Bank	300	300					
	ORIX Bank Corporation	1,000	1,000					
Long-term loan	Resona Bank, Limited	2,000	2,000	Fixed rate 0.49600	April 1, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	THE NISHI-NIPPON CITY BANK, LTD.	1,500	1,500	Fixed rate 0.49600	April 1, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Daishi Bank, Ltd.	1,000	1,000	Fixed rate 0.49600	April 1, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The 77 Bank, Ltd.	1,000	1,000	Fixed rate 0.86400	April 26, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Daishi Bank, Ltd.	1,000	1,000	Fixed rate 0.72700	August 31, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The 77 Bank, Ltd.	1,000	1,000	Fixed rate 0.72700	August 31, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	THE SHIZUOKA BANK, LTD.	1,000	1,000	Fixed rate 0.72700	August 31, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 24) (2)	Sumitomo Mitsui Trust Bank, Limited	2,000	2,000	Fixed rate 1.18934	September 19, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	2,000	2,000					
	Mitsubishi UFJ Trust and Banking Corporation	1,000	1,000					
Long-term loan	Sumitomo Mitsui Banking Corporation	800	800	Floating rate 0.17727	September 20, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 28, tranche A) (2)	Mitsubishi UFJ Trust and Banking Corporation	2,000	2,000	Fixed rate 0.97492	October 1, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Mizuho Bank, Ltd.	1,200	1,200					
	Sumitomo Mitsui Banking Corporation	2,400	2,400					
	Sumitomo Mitsui Trust Bank, Limited	2,400	2,400					

Category	Lender	Balance at beginning of the period	Balance at the period end	Average interest rate(%)(¹)	Due on (⁴)	Use of funds	Repayment method	Note
Long-term loan (term loan 28, tranche B) (2)	Sumitomo Mitsui Banking Corporation	138	138	Fixed rate 0.97492	October 1, 2018	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	115	115					
	Mizuho Bank, Ltd.	69	69					
	Sumitomo Mitsui Trust Bank, Limited	138	138					
Long-term loan	Aozora Bank, Ltd.	1,000	1,000	Fixed rate 0.83000	January 10, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 26) (2)	Sumitomo Mitsui Trust Bank, Limited	2,640	2,640	Fixed rate 1.06802	March 20, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	2,640	2,640					
	Mitsubishi UFJ Trust and Banking Corporation	2,640	2,640					
	Mizuho Bank, Ltd.	1,980	1,980					
Long-term loan	National Mutual Insurance Federation of Agricultural	2,000	2,000	Fixed rate 1.30500	April 26, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan Inc.	4,000	4,000	Fixed rate 2.26875	July 27, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche A)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	3,000	Fixed rate 0.34625	September 20, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 30) (2)	Shinsei Bank, Limited	1,000	1,000	Fixed rate 0.81687	October 1, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Aozora Bank, Ltd.	1,000	1,000					
	Resona Bank, Limited	1,000	1,000					
Long-term loan	Shinsei Bank, Limited	1,560	1,560	Fixed rate 0.90500	November 1, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	1,560	1,560	Fixed rate 0.90500	November 1, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Resona Bank, Limited	1,560	1,560	Fixed rate 0.90500	November 1, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	National Mutual Insurance Federation of Agricultural	3,000	3,000	Fixed rate 1.80000	December 2, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Norinchukin Bank	3,350	3,350	Fixed rate (SWAP) 0.91250	December 20, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	1,500	1,500	Fixed rate 0.55600	December 24, 2019	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 32, tranche A) (2)	Sumitomo Mitsui Trust Bank, Limited	900	900	Fixed rate (SWAP) 0.54675	March 19, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	The Shinkumi Federation Bank	700	700					
	Mizuho Bank, Ltd.	650	650					
	Sumitomo Mitsui Banking Corporation	1,500	1,500					
	Mitsubishi UFJ Trust and Banking Corporation	350	350					
Long-term loan	THE SHIZUOKA BANK, LTD.	1,000	1,000	Floating rate 0.30727	March 26, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Norinchukin Bank	1,500	1,500	Fixed rate (SWAP) 0.67400	April 1, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	2,000	2,000	Fixed rate 1.54400	June 14, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Aozora Bank, Ltd.	1,000	1,000	Fixed rate 1.54400	June 14, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Taiyo Life Insurance Company	1,000	1,000	Fixed rate 0.57000	June 22, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Hyakugo Bank, Ltd.	1,000	1,000	Fixed rate (SWAP) 0.52700	June 22, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 33, tranche A) (2)	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000	Fixed rate (SWAP) 0.52700	June 22, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	1,500	1,500					
Long-term loan	Development Bank of Japan Inc.	1,500	1,500	Fixed rate 1.44375	July 31, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,500	1,500	Fixed rate 1.22000	August 31, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu

Category	Lender	Balance at beginning of the period	Balance at the period end	Average interest rate(%)(¹)	Due on(⁴)	Use of funds	Repayment method	Note
Long-term loan (term loan 29) (2)	Mizuho Bank, Ltd.	1,000	1,000	Fixed rate (SWAP) 1.14500	September 24, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	ShinGinko Tokyo, Limited	500	500					
	Sumitomo Mitsui Trust Bank, Limited	1,500	1,500					
	Mitsubishi UFJ Trust and Banking Corporation	2,000	2,000					
	Sumitomo Mitsui Banking Corporation	2,000	2,000					
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,000	3,000	Fixed rate 1.07000	November 1, 2020	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 25, tranche B)	Development Bank of Japan Inc.	5,000	5,000	Fixed rate 1.44744	February 21, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Norinchukin Bank	2,000	2,000	Floating rate 0.23727	March 22, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 34, tranche A) (2)	The Shinkumi Federation Bank	1,400	1,400	Floating rate 0.23727	March 22, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	THE NISHI-NIPPON CITY BANK, LTD.	1,150	1,150					
Long-term loan (term loan 34, tranche B) (2)	Shinsei Bank, Limited	500	500	Fixed rate 0.29425	March 22, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	The Minato Bank, Ltd.	500	500					
	Mitsubishi UFJ Trust and Banking Corporation	1,000	1,000					
Long-term loan	Mitsubishi UFJ Trust and Banking Corporation	2,560	2,560	Fixed rate (SWAP) 1.00600	April 2, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	1,280	1,280	Fixed rate (SWAP) 1.00600	April 2, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche A)	Sumitomo Mitsui Banking Corporation	2,000	2,000	Fixed rate (SWAP) 0.68105	June 21, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 35) (2)	The Shinkumi Federation Bank	400	400	Fixed rate 0.20211	June 21, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	THE SHIMANE BANK, LTD.	300	300					
	The Minato Bank, Ltd.	300	300					
	The Kagawa Bank, Ltd.	1,000	1,000					
Long-term loan (term loan 32, tranche B) (2)	Mitsubishi UFJ Trust and Banking Corporation	350	350	Fixed rate (SWAP) 0.70425	September 21, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Mizuho Bank, Ltd.	650	650					
	Sumitomo Mitsui Banking Corporation	1,500	1,500					
	Sumitomo Mitsui Trust Bank, Limited	900	900					
Long-term loan	Development Bank of Japan Inc.	4,740	4,740	Fixed rate 0.89100	October 1, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	2,500	2,500	Fixed rate 0.89100	October 1, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Shinsei Bank, Limited	2,500	2,500	Fixed rate (SWAP) 0.45960	December 20, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Daishi Bank, Ltd.	1,000	1,000	Fixed rate 0.24000	December 20, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mitsui Sumitomo Insurance Company, Limited	1,000	1,000	Fixed rate 0.83000	December 22, 2021	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan Inc.	1,400	1,400	Fixed rate 1.34300	January 10, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	1,500	1,500	Fixed rate (SWAP) 1.20350	February 14, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Banking Corporation	2,500	2,500	Fixed rate (SWAP) 0.75925	March 22, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Norinchukin Bank	-	4,500	Floating rate 0.22727	March 22, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,710	1,710	Fixed rate 1.09000	March 31, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Banking Corporation	2,560	2,560	Fixed rate (SWAP) 1.16180	March 31, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu

Category	Lender	Balance at beginning of the period	Balance at the period end	Average interest rate(%)(¹)	Due on(⁴)	Use of funds	Repayment method	Note
Long-term loan	Sumitomo Mitsui Trust Bank, Limited	2,560	2,560	Fixed rate (SWAP) 1.16180	March 31, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 31) (2)	Mizuho Bank, Ltd.	1,430	1,430	Fixed rate (SWAP) 1.05175	June 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Mitsubishi UFJ Trust and Banking Corporation	1,890	1,890					
	Sumitomo Mitsui Trust Bank, Limited	1,890	1,890					
	Sumitomo Mitsui Banking Corporation	1,890	1,890					
Long-term loan	Tokio Marine & Nichido Fire Insurance Co., Ltd.	-	1,000	Fixed rate 0.24000	June 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan Inc.	3,800	3,800	Fixed rate 1.07600	September 18, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Shinsei Bank, Limited	1,000	1,000	Fixed rate (SWAP) 0.60630	September 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mitsubishi UFJ Trust and Banking Corporation	1,000	1,000	Fixed rate (SWAP) 0.60630	September 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche B)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,000	1,000	Fixed rate 0.61630	September 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche A)	Sumitomo Mitsui Trust Bank, Limited	4,000	4,000	Fixed rate 0.83625	December 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 33, tranche B) (2)	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000	Fixed rate (SWAP) 0.80450	December 20, 2022	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	1,500	1,500					
	Resona Bank, Limited	1,200	1,200					
Long-term loan (term loan 34, tranche C) (2)	THE NISHI-NIPPON CITY BANK, LTD.	1,150	1,150	Floating rate 0.30727	March 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	The Bank of Fukuoka, Ltd.	1,800	1,800					
Long-term loan (term loan 34, tranche D) (2)	Mitsubishi UFJ Trust and Banking Corporation	2,500	2,500	Fixed rate 0.44805	March 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Resona Bank, Limited	1,000	1,000					
	Shinsei Bank, Limited	1,800	1,800					
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	2,000	Fixed rate 0.85910	June 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mitsubishi UFJ Trust and Banking Corporation	2,000	2,000	Fixed rate (SWAP) 0.86910	June 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Banking Corporation	1,000	1,000	Fixed rate (SWAP) 0.86910	June 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Aozora Bank, Ltd.	1,000	1,000	Fixed rate 0.32600	June 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	THE SHIZUOKA BANK, LTD.	-	1,000	Fixed rate 0.37100	June 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche A)	Development Bank of Japan Inc.	2,000	2,000	Fixed rate 0.84100	July 29, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Bank of Fukuoka, Ltd.	1,100	1,100	Fixed rate (SWAP) 0.71725	September 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche C)	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,000	2,000	Fixed rate 0.71225	September 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Aozora Bank, Ltd.	1,000	1,000	Fixed rate 0.38500	September 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche B)	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000	Fixed rate 0.95375	December 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu

Category	Lender	Balance at beginning of the period	Balance at the period end	Average interest rate(% ⁽¹⁾)	Due on ⁽⁴⁾	Use of funds	Repayment method	Note
Long-term loan (term loan 33, tranche C) (2)	Sumitomo Mitsui Banking Corporation	1,500	1,500	Fixed rate (SWAP) 0.92075	December 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Resona Bank, Limited	1,100	1,100					
	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000					
	Mitsubishi UFJ Trust and Banking Corporation	700	700					
Long-term loan	Shinsei Bank, Limited	1,900	1,900	Fixed rate (SWAP) 0.67385	December 20, 2023	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,750	1,750	Fixed rate 0.41500	March 21, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	1,390	1,390	Fixed rate 0.56432	March 21, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche B)	Sumitomo Mitsui Banking Corporation	3,000	3,000	Fixed rate (SWAP) 1.03080	June 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2,630	2,630	Fixed rate 0.43200	June 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Shinsei Bank, Limited	1,000	1,000	Fixed rate 0.37900	June 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Resona Bank, Limited	1,000	1,000	Fixed rate 0.37900	June 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (term loan 33, tranche D) (2)	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000	Fixed rate (SWAP) 1.02950	December 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
	Sumitomo Mitsui Banking Corporation	1,800	1,800					
	Mitsubishi UFJ Trust and Banking Corporation	700	700					
Long-term loan	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000	Fixed rate (SWAP) 1.02950	December 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	1,500	1,500	Fixed rate (SWAP) 0.78175	December 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Resona Bank, Limited	1,000	1,000	Fixed rate (SWAP) 0.78175	December 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Development Bank of Japan Inc.	1,000	1,000	Fixed rate 0.55700	December 20, 2024	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Resona Bank, Limited	1,000	1,000	Fixed rate 0.47200	March 21, 2025	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mitsubishi UFJ Trust and Banking Corporation	-	5,500	Fixed rate 0.50000	March 21, 2025	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	2,000	2,000	Fixed rate (SWAP) 1.08700	June 20, 2025	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	-	5,000	Fixed rate 0.53300	June 20, 2025	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan (tranche B)	Development Bank of Japan Inc.	3,000	3,000	Fixed rate 1.05100	July 29, 2025	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	3,000	3,000	Fixed rate (SWAP) 0.93750	September 22, 2025	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	1,390	1,390	Fixed rate 0.70315	March 23, 2026	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Trust Bank, Limited	3,207	3,207	Fixed rate 0.70315	March 23, 2026	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	1,000	1,000	Fixed rate 0.66000	March 23, 2026	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	1,000	1,000	Fixed rate 0.65800	December 21, 2026	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Trust Bank, Limited	1,000	1,000	Fixed rate 0.65800	December 21, 2026	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu

Category	Lender	Balance at beginning of the period	Balance at the period end	Average interest rate(%)(¹)	Due on (⁴)	Use of funds	Repayment method	Note
Long-term loan	Mitsubishi UFJ Trust and Banking Corporation	1,000	1,000	Fixed rate 0.65800	December 21, 2026	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Trust Bank, Limited	-	6,000	Fixed rate 0.78300	March 23, 2027	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Bank, Ltd.	-	2,000	Fixed rate 0.71500	June 21, 2027	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	The 77 Bank, Ltd.	-	1,000	Fixed rate 0.70800	June 21, 2027	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Mizuho Trust & Banking Co., Ltd.	-	1,000	Fixed rate 0.71500	June 21, 2027	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan	Sumitomo Mitsui Trust Bank, Limited	-	1,400	Fixed rate 0.72700	September 21, 2027	(3)	Bullet payment	Unsecured, Non-guaranteed, Pari passu
Long-term loan total		254,617	267,017					
Grand total of short-term and long-term loan		¥276,417	¥267,017					

Notes:

- The average interest rate is the weighted-average 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 related assets, to refinance other debts, or to redeem investment corporation bonds.
- 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	¥29,550	¥31,160	¥35,630	¥29,390	¥39,970

- OJR made early repayments of short-term loans of ¥7,400 million on March 31, 2017.
- OJR made early repayments of short-term loans of ¥7,200 million on March 31, 2017.
- OJR made early repayments of short-term loans of ¥7,200 million on March 31, 2017.
- OJR fully repaid its long-term loan of ¥16,000 million on March 17, 2017.

3. 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 5 th unsecured bonds	February 8, 2013	5,000	5,000	0.760	February 8, 2018	Bullet payment	(1)	(6)
The 6 th unsecured bonds	January 20, 2014	5,000	5,000	0.440	July 20, 2018	Bullet payment	(2)	(6)
The 7 th unsecured bonds	January 20, 2014	2,500	2,500	1.200	January 19, 2024	Bullet payment	(2)	(6)
The 8 th unsecured bonds	August 11, 2014	2,000	2,000	0.308	August 9, 2019	Bullet payment	(3)	(6)
The 9 th unsecured bonds	August 11, 2014	3,000	3,000	0.901	August 9, 2024	Bullet payment	(3)	(6)
The 10 th unsecured bonds	December 19, 2014	2,000	2,000	0.886	December 19, 2024	Bullet payment	(5)	(6)
Total		¥19,500	¥19,500					

Notes:

- The bonds have been used to redeem “The 1st unsecured bonds.”
- The bonds have been used to redeem “The 4th unsecured bonds” and to refinance other debts.
- The bonds have been used to redeem “The 2nd unsecured bonds.”
- The following table shows the total amounts of the bonds 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
Bond	¥10,000	¥2,000	¥ —	¥ —	¥ —

5. The bonds have been used to finance the acquisition of real estate held in trust.
6. The bonds were issued with pari passu conditions among specified investment corporation bonds.

4. Major Unitholders

(As of August 31, 2017)

Name	Number of Units Owned	Ownership (%)
Japan Trustee Services Bank, Ltd. (Trust accounts)	635,485	23.71
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	326,020	12.16
The Master Trust Bank of Japan, Ltd. (Trust accounts)	318,771	11.89
The Nomura Trust and Banking Co., Ltd (Investment accounts)	113,478	4.23
NOMURA BANK (LUXEMBOURG) S.A.	91,296	3.40
STATE STREET BANK AND TRUST COMPANY 505012	65,863	2.45
STATE STREET BANK- WEST PENSION FUND CLIENTS- EXEMPT 505233	37,267	1.39
STATE STREET BANK AND TRUST COMPANY 505223	26,963	1.00
THE BANK OF NEW YORK MELLON SA/NV 10	26,254	0.97
STATE STREET BANK WEST CLIENT-TREATY 505234	25,527	0.95
Total	1,666,924	62.19

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

5. Unitholder Type

(As of August 31, 2017)

Unitholder type	Number of Unitholders	%	Number of Units	%
Individuals and Others	21,195	96.3	203,708	7.6
Financial Institutions	192	0.9	1,762,957	65.8
Other Corporate Entities	338	1.5	56,562	2.1
Overseas	286	1.3	656,773	24.5
Total	22,011	100.0	2,680,000	100.00

Note: Individual ratios, rounded to the second decimal place, may not add up to equal the total due to rounding.

■ Portfolio Overview

1. Portfolio Summary

(As of August 31, 2017)

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	¥206,421	31.38
		Logistics Facilities	—	—
		Retail Facilities	31,803	4.83
		Residential Properties	20,095	3.05
		Hotels and others	2,875	0.44
	Remaining Tokyo Wards	Offices	27,425	4.17
		Logistics Facilities	—	—
		Retail Facilities	6,215	0.94
		Residential Properties	31,041	4.72
		Hotels and others	—	—
	Other Parts of the Greater Tokyo Area	Offices	20,110	3.06
		Logistics Facilities	21,456	3.26
		Retail Facilities	30,755	4.67
		Residential Properties	4,173	0.63
		Hotels and others	38,527	5.86
	Other Areas	Offices	84,555	12.85
		Logistics Facilities	10,215	1.55
		Retail Facilities	38,028	5.78
		Residential Properties	8,226	1.25
		Hotels and others	12,475	1.90
Deposits and Other Assets			63,495	9.65
Total Assets			¥657,898	100.00

Notes:

1. Amounts are the book values as of the end of August 2017, 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.
3. The amount of Real Estate and Real Estate Held in Trust excludes the amount of construction in progress (including construction in progress held in trust).

2. Selected Property Data

(As of August 31, 2017)

	Area	Property Name	Total Rentable Area (㎡)	Appraisal Value ⁽¹⁾ (In millions of yen)	Book Value (In millions of yen)	Acquisition Price (In millions of yen)	Ratio to Acquisition Price ⁽²⁾ (%)
Offices	6 Central Tokyo Wards	Aoyama Suncrest Building	6,771.04	¥12,690	¥10,210	¥10,076	1.6
		Round-Cross Ichi-bancho	3,282.32	3,700	3,001	3,526	0.6
		Round-Cross Nishi Shinjuku	1,224.85	3,630	2,400	2,650	0.4
		DT Gaien	2,578.56	2,870	2,110	2,430	0.4
		Yoyogi Forest Building	1,861.91	1,570	1,401	1,406	0.2
		Round-Cross Minami Azabu	3,178.35	1,440	1,216	1,394	0.2
		Round-Cross Akasaka	2,787.04	2,630	2,708	2,624	0.4
		Round-Cross Mita	2,297.19	1,550	1,688	1,748	0.3
		Round-Cross Shiba Daimon	2,797.20	3,240	2,182	2,195	0.3
		Round-Cross Tsukiji	4,003.73	3,760	3,061	3,378	0.5
		ORIX Shiba 2-chome Building	6,703.88	9,180	6,193	7,500	1.2
		Aoyama 246 Building	2,409.89	8,490	5,300	5,200	0.8
		Round-Cross Shinjuku	4,736.16	10,300	7,413	8,020	1.3
		Seafort Square Center Building	22,033.10	13,900	16,524	18,000	2.8
		ORIX Akasaka 2-chome Building	10,277.01	22,300	19,754	21,860	3.4
		Round-Cross Shinjuku 5-chome	3,089.29	4,300	3,859	4,500	0.7
		Nihonbashi Honcho 1-chome Building	5,099.70	8,280	9,481	10,500	1.7
		Round-Cross Shibuya	1,550.63	3,120	3,252	3,500	0.6
		ORIX Suidobashi Building	2,087.65	3,040	2,718	3,000	0.5
		ORIX Shinagawa Building	5,616.58	12,900	14,275	15,200	2.4
		ORIX Real Estate Nishi Shinjuku Building	7,059.20	14,100	13,063	13,600	2.1
		OX Tamachi Building	6,121.28	7,810	6,605	6,730	1.1
		MG Shirokanedai Building	4,983.54	8,770	8,524	8,500	1.3
		SHIBUYA PINE Bldg.	2,644.36	4,390	3,481	3,400	0.5
		MG Ichigaya Building	1,905.43	3,450	3,027	3,100	0.5
		Round-Cross Ginza 2-chome	2,910.41	5,910	5,184	5,200	0.8
		ARK Hills South Tower	9,015.52	24,000	21,911	22,000	3.5
		Round-Cross Akihabara	2,398.75	4,440	4,344	4,202	0.7
		Gaien Nishi-dori Building	5,148.31	9,800	9,047	9,000	1.4
	CENTRUM ROPPONGI	5,049.83	12,600	12,472	12,400	2.0	
	Remaining Tokyo Wards	Carrot Tower	6,866.16	6,760	3,735	5,479	0.9
		Beside Kiba	4,758.03	2,860	1,962	2,450	0.4
		ORIX Ikebukuro Building	5,528.03	12,900	8,163	9,577	1.5
		KN Jiyugaoka Plaza	1,231.80	3,030	3,058	3,110	0.5
		ORIX Meguro Building	6,193.84	8,090	5,978	6,350	1.0
	Akihabara Business Center	4,250.33	6,510	4,526	5,060	0.8	
	Other Parts of the Greater Tokyo Area	Neo City Mitaka	4,621.57	3,050	1,912	2,200	0.3
		Round-Cross Kawasaki	5,528.06	6,470	3,996	4,130	0.7
		Omiya Miyacho Building	4,062.92	5,020	3,764	4,400	0.7
		Omiya Shimocho 1-chome Building	4,912.78	4,790	3,294	3,750	0.6
	ORE Omiya Building	10,005.95	7,910	7,143	7,030	1.1	
	Other Areas	Nagoya Itochu Building	10,773.58	5,550	4,505	4,500	0.7
		ORIX Koraibashi Building	6,851.57	5,200	4,436	5,560	0.9
Lunar Sendai		9,955.91	6,350	7,335	8,500	1.3	
ORIX Nagoya Nishiki Building		10,251.51	8,550	10,693	12,500	2.0	
ORE Sapporo Building		11,671.35	6,170	3,336	4,250	0.7	
ORIX Kobe Sannomiya Building		6,252.86	4,260	3,234	3,800	0.6	
ORE Nishiki 2-chome Bldg.		15,078.15	12,500	10,360	10,900	1.7	
DOJIMA PLAZA BLDG.		10,051.43	10,400	9,506	9,500	1.5	
PRIME SQUARE HIROSE-DORI		10,420.22	8,380	7,076	7,280	1.1	
Hamamatsu Act Tower		84,653.22	12,900	12,468	11,800	1.9	
ORIX Yodoyabashi Bldg.		6,584.95	5,490	5,027	5,012	0.8	
SAPPORO BRICK CUBE		8,655.53	5,620	5,271	5,200	0.8	
Round-Cross Kagoshima		3,160.57	1,510	1,302	1,300	0.2	
Total of Offices			393,943.03	388,430	338,513	360,478	56.8
Logistics Facilities	Other Parts of the Greater Tokyo Area	Toda Logistics Center	36,158.60	11,100	8,391	9,600	1.5
		Ichikawa Logistics Center	37,456.96	9,230	7,127	8,300	1.3
		Iwatsuki Logistics Center	28,048.04	7,240	5,936	6,300	1.0
	Other Areas	Sakai Logistics Center North Building	64,004.80	12,700	7,985	10,200	1.6
		Komaki Logistics Center	18,089.76	3,110	2,230	2,700	0.4
Total of Logistics Facilities			183,758.16	43,380	31,671	37,100	5.8
Retail Facilities	6 Central Tokyo Wards	Nihon Jisho Minami Aoyama Building	985.36	4,090	2,459	2,548	0.4
		CUBE Daikanyama	899.82	3,800	2,382	2,435	0.4
		aune Yurakucho	3,280.26	11,800	9,896	9,900	1.6
		Cross Avenue Harajuku	693.64	6,910	4,787	4,815	0.8
		J-ONE SQUARE	506.36	1,720	1,513	1,510	0.2
		JouLe SHIBUYA	2,394.93	8,810	7,509	7,550	1.2
		SO-CAL LINK OMOTESANDO	484.56	2,720	2,310	2,300	0.4
	Kita Aoyama Building	215.50	950	944	900	0.1	
Remaining Tokyo Wards	aune Ikebukuro	4,179.45	7,470	6,215	6,410	1.0	

	Area	Property Name	Total Rentable Area (㎡)	Appraisal Value ⁽¹⁾ (In millions of yen)	Book Value (In millions of yen)	Acquisition Price (In millions of yen)	Ratio to Acquisition Price ⁽²⁾ (%)
Retail Facilities	Other Parts of the Greater Tokyo Area	aune Kohoku	5,397.66	4,450	3,447	4,000	0.6
		aune Makuhari	5,749.05	4,700	3,083	3,600	0.6
		Maruetsu Sagamino	8,250.89	2,730	2,198	2,350	0.4
		CROSS GARDEN KAWASAKI	17,126.09	15,500	12,096	12,950	2.0
		Tecc Land Totsuka (Land)	11,901.87	6,030	6,073	6,020	0.9
		Clio Fujisawaekimae	2,678.42	4,670	3,855	3,900	0.6
	Other Areas	Kobe Momoyamada Shopping Center (Land)	42,123.17	3,270	3,387	3,260	0.5
		Okayama Kume Retail Facility	11,822.08	3,270	2,396	2,750	0.4
		Home Center Musashi Sendai Izumi (Land)	56,109.95	2,970	2,381	2,350	0.4
		aune Sapporo Ekimae	2,181.73	2,330	1,852	1,900	0.3
		Morioka Minami Shopping Center Sansa	17,107.50	3,420	2,680	2,800	0.4
		GRAN MART Tegata	3,311.00	1,140	941	980	0.2
		AEON TOWN Sendai-Izumiosawa (Land)	74,930.65	3,920	3,540	3,510	0.6
		Cross Mall Shimonoseki-Chofu	8,651.19	2,110	2,292	2,400	0.4
		intervillage OH! MAGARI	39,346.05	6,310	4,914	5,183	0.8
		Valor Suzuka Shopping Center	16,782.02	3,620	3,091	3,200	0.5
		aune Sendai	2,092.07	2,250	1,993	2,000	0.3
		Friend Town Fukaebashi (Land)	9,492.36	2,720	2,424	2,400	0.4
		KONAMI SPORTS CLUB KORIEEN	8,176.36	1,760	1,578	1,600	0.3
		aune Tenjin (4)	2,936.36	4,880	4,552	4,550	0.7
Total of Retail Facilities			359,806.35	130,320	106,802	110,071	17.3
Residential Properties	6 Central Tokyo Wards	We Will Hatchobori	3,065.89	2,510	2,120	2,370	0.4
		Shibaura Island Air Tower	13,097.69	7,180	4,970	6,030	0.9
		Belle Face Togoshi Statio	3,168.75	3,110	2,374	2,642	0.4
		Belle Face Meguro	3,422.89	3,960	3,138	3,330	0.5
		Central Crib Roppongi	7,565.52	8,360	7,491	7,493	1.2
	Remaining Tokyo Wards	Belle Face Kamata	6,187.52	4,320	3,099	3,550	0.6
		Belle Face Hongo Yumicho	4,349.82	3,720	3,011	3,340	0.5
		Belle Face Mishuku	2,654.24	2,320	1,919	2,000	0.3
		West Park Tower IKEBUKURO	25,152.42	22,900	20,111	20,500	3.2
		Belle Face Higashijujo	4,933.11	3,200	2,898	3,000	0.5
	Other Parts of the Greater Tokyo Area	R-Styles Musashi-Kosugi	15,953.63	5,120	4,173	4,433	0.7
	Other Areas	Belle Face Osaka Shinmachi	8,831.38	4,530	3,046	3,684	0.6
		Belle Face Amagasaki	7,459.86	3,880	2,921	3,440	0.5
		Belle Face Kanazawa Kohrinbo	6,680.44	2,610	2,258	2,410	0.4
Total of Residential Properties			112,523.16	77,720	63,537	68,222	10.7
Hotels and Others	6 Central Tokyo Wards	TAKANAWA DUPLEX C's	4,404.33	2,980	2,875	2,830	0.4
	Other Parts of the Greater Tokyo Area	Cross Gate	25,808.73	17,300	9,661	15,040	2.4
		GOOD TIME LIVING Shin-urayasu	4,143.60	1,990	1,487	1,550	0.2
		SUNROUTE PLAZA TOKYO	38,488.60	26,900	27,379	26,800	4.2
	Other Areas	VIA INN SHINSAIBASHI BLDG.	4,719.92	3,730	3,036	3,100	0.5
		HOTEL KEIHAN SAPPORO	5,335.88	3,140	2,437	2,550	0.4
		Richmond Hotel Yamagata Ekimae	7,294.16	2,390	2,203	2,300	0.4
Hotel Nikko Himeji	20,264.29	4,820	4,797	4,800	0.8		
Total of Hotels and Others			110,459.51	63,250	53,878	58,970	9.3
Total			1,160,490.21	¥703,100	¥594,402	¥634,841	100.0

Notes:

1. The appraisal value represents the appraisal value stated on the relevant review reports by real estate appraisers as of the balance sheet date in accordance with the method and standards described in the Articles of Incorporation of OJR, and the rules set forth by the Investment Trusts Association, Japan. Such real estate appraisers are 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.
2. Ratio to acquisition price is rounded to the first decimal place, and may not add up to equal the total amount due to rounding.
3. 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.
4. The property name, aune Tenjin, was changed from PRIZE TENJIN as of October 1, 2017.

3. Selected Financial Data by Property

(For the period ended August 31, 2017)

	Area	Property Name	Number of Tenants ⁽¹⁾	Occupancy Rate ⁽¹⁾⁽²⁾ (%)	Revenue (In millions of yen)	Ratio to Revenue ⁽²⁾ (%)
Offices	6 Central Tokyo Wards	Aoyama Suncrest Building	9	99.4	280	1.2
		Round-Cross Ichi-bancho	10	100.0	109	0.5
		Round-Cross Nishi Shinjuku	9	100.0	98	0.4
		DT Gaien	4	100.0	52	0.2
		Yoyogi Forest Building	8	100.0	49	0.2
		Round-Cross Minami Azabu	5	84.2	62	0.3
		Round-Cross Akasaka	13	100.0	86	0.4
		Round-Cross Mita	6	100.0	55	0.2
		Round-Cross Shiba Daimon	5	75.5	60	0.3
		Round-Cross Tsukiji	10	99.0	141	0.6
		ORIX Shiba 2-chome Building	2	100.0	286	1.3
		Aoyama 246 Building	10	100.0	204	0.9
		Round-Cross Shinjuku	12	100.0	255	1.1
		Seafort Square Center Building	61	99.0	654	2.9
		ORIX Akasaka 2-chome Building	17	95.2	484	2.2
		Round-Cross Shinjuku 5-chome	9	100.0	115	0.5
		Nihonbashi Honcho 1-chome Building	10	97.0	180	0.8
		Round-Cross Shibuya	9	100.0	72	0.3
		ORIX Suidobashi Building	1	100.0	-(3)	-(3)
		ORIX Shinagawa Building	8	100.0	316	1.4
		ORIX Real Estate Nishi Shinjuku Building	1	100.0	-(3)	-(3)
		OX Tamachi Building	12	100.0	227	1.0
		MGShirokanedai Building	3	83.2	200	0.9
		SHIBUYA PINE Bldg.	8	100.0	107	0.5
		MG Ichigaya Building	12	100.0	77	0.3
		Round-Cross Ginza 2-chome	13	100.0	137	0.6
		ARK Hills South Tower	1	74.1	367	1.6
		Round-Cross Akihabara	2	100.0	-(3)	-(3)
		Gaien Nishi-dori Building	3	100.0	-(3)	-(3)
		CENTRUM ROPPONGI	7	100.0	112	0.5
	Remaining Tokyo Wards	Carrot Tower	12	100.0	264	1.2
		Beside Kiba	5	84.5	85	0.4
		ORIX Ikebukuro Building	8	100.0	332	1.5
		KN Jiyugaoka Plaza	5	100.0	76	0.3
		ORIX Meguro Building	13	100.0	253	1.1
	Akihabara Business Center	9	100.0	169	0.8	
	Other Parts of the Greater Tokyo Area	Neo City Mitaka	11	100.0	138	0.6
		Round-Cross Kawasaki	14	99.9	215	1.0
		Omiya Miyacho Building	2	100.0	-(3)	-(3)
		Omiya Shimochō 1-chome Building	8	100.0	164	0.7
		ORE Omiya Building	31	100.0	313	1.4
Other Areas	Nagoya Itochu Building	15	99.9	245	1.1	
	ORIX Koraibashi Building	14	100.0	188	0.8	
	Lunar Sendai	43	100.0	266	1.2	
	ORIX Nagoya Nishiki Building	19	100.0	277	1.2	
	ORE Sapporo Building	9	100.0	325	1.4	
	ORIX Kobe Sannomiya Building	19	98.4	172	0.8	
	ORE Nishiki 2-chome Bldg.	28	98.2	409	1.8	
	DOJIMA PLAZA BLDG.	32	100.0	325	1.4	
	PRIME SQUARE HIROSE-DORI	37	100.0	288	1.3	
	Hamamatsu Act Tower	165	99.4	1,566	7.0	
	ORIX Yodoyabashi Bldg.	32	100.0	180	0.8	
SAPPORO BRICK CUBE	34	97.2	193	0.9		
Round-Cross Kagoshima	11	94.9	83	0.4		
Total of Offices			856	98.1	12,259	54.5
Logistics Facilities	Other Parts of the Greater Tokyo Area	Toda Logistics Center	1	100.0	-(3)	-(3)
		Ichikawa Logistics Center	1	100.0	-(3)	-(3)
		Iwatsuki Logistics Center	2	100.0	-(3)	-(3)
	Other Areas	Sakai Logistics Center North Building	1	100.0	-(3)	-(3)
		Komaki Logistics Center	1	100.0	-(3)	-(3)
Total of Logistics Facilities			6	100.0	1,188	5.3
Retail Facilities	6 Central Tokyo Wards	Nihon Jisho Minami Aoyama Building	1	100.0	-(3)	-(3)
		CUBE Daikanyama	5	100.0	87	0.4
		aune Yurakucho	1	90.1	269	1.2
		Cross Avenue Harajuku	1	100.0	-(3)	-(3)
		J-ONE SQUARE	1	100.0	-(3)	-(3)
		JouLe SHIBUYA	1	100.0	207	0.9
		SO-CAL LINK OMOTESANDO	1	100.0	-(3)	-(3)
		Kita Aoyama Building	3	39.8	11	0.0
	Remaining Tokyo Wards	aune Ikebukuro	1	100.0	221	1.0

	Area	Property Name	Number of Tenants ⁽¹⁾	Occupancy Rate ⁽¹⁾⁽²⁾ (%)	Revenue (In millions of yen)	Ratio to Revenue ⁽²⁾ (%)
Retail Facilities	Other Parts of the Greater Tokyo Area	aune Kohoku	17	100.0	181	0.8
		aune Makuhari	21	100.0	227	1.0
		Maruetsu Sagamino	1	100.0	-(3)	-(3)
		CROSS GARDEN KAWASAKI	1	100.0	522	2.3
		Tecc Land Totsuka (Land)	1	100.0	-(3)	-(3)
		Clio Fujisawaekimae	6	100.0	146	0.7
	Other Areas	Kobe Momoyamadai Shopping Center (Land)	5	100.0	156	0.7
		Okayama Kume Retail Facility	3	100.0	122	0.5
		Home Center Musashi Sendai Izumi (Land)	1	100.0	-(3)	-(3)
		aune Sapporo Ekimae	4	100.0	89	0.4
		Morioka Minami Shopping Center Sansa	1	100.0	-(3)	-(3)
		GRAN MART Tegata	1	100.0	-(3)	-(3)
		AEON TOWN Sendai-Izumiosawa (Land)	1	100.0	-(3)	-(3)
		Cross Mall Shimonoseki-Chofu	1	56.6	162	0.7
		intervillage OH! MAGARI	1	100.0	382	1.7
		Valor Suzuka Shopping Center	1	100.0	-(3)	-(3)
		aune Sendai	10	100.0	102	0.5
		Friend Town Fukaebashi (Land)	1	100.0	-(3)	-(3)
		KONAMI SPORTS CLUB KORIEEN	1	100.0	-(3)	-(3)
		aune Tenjin (4)	1	100.0	-(3)	-(3)
Total of Retail Facilities			94	98.8	4,192	18.6
Residential Properties	6 Central Tokyo Wards	We Will Hatchobori	1	99.0	77	0.3
		Shibaura Island Air Tower	2	97.0	341	1.5
		Belle Face Togoshi Statio	1	95.7	80	0.4
		Belle Face Meguro	1	96.7	103	0.5
		Central Crib Roppongi	1	96.8	216	1.0
	Remaining Tokyo Wards	Belle Face Kamata	1	96.3	152	0.7
		Belle Face Hongo Yumicho	1	94.7	116	0.5
		Belle Face Mishuku	1	94.0	67	0.3
		West Park Tower IKEBUKURO	1	95.5	621	2.8
	Belle Face Higashijujo	1	98.1	97	0.4	
	Other Parts of the Greater Tokyo Area	R-Styles Musashi-Kosugi	1	97.5	313	1.4
	Other Areas	Belle Face Osaka Shinmachi	1	91.9	162	0.7
		Belle Face Amagasaki	6	100.0	118	0.5
		Belle Face Kanazawa Kohrinbo	4	90.5	106	0.5
Total of Residential Properties			23	96.0	2,575	11.5
Hotels and Others	6 Central Tokyo Wards	TAKANAWA DUPLEX C's	1	100.0	-(3)	-(3)
	Other Parts of the Greater Tokyo Area	Cross Gate	28	99.4	751	3.3
		GOOD TIME LIVING Shin-urayasu	1	100.0	-(3)	-(3)
		SUNROUTE PLAZA TOKYO	1	100.0	-(3)	-(3)
	Other Areas	VIA INN SHINSAIBASHI BLDG.	5	100.0	-(3)	-(3)
		HOTEL KEIHAN SAPPORO	1	100.0	-(3)	-(3)
		Richmond Hotel Yamagata Ekimae	2	100.0	-(3)	-(3)
Hotel Nikko Himeji	1	100.0	210	0.9		
Total of Hotels and Others			40	99.9	2,267	10.1
Total			1,019	98.6	22,484	100.0

Notes:

1. Number of Tenants and Occupancy Rate are as of August 31, 2017.
2. Occupancy Rate and Ratio to Revenue, rounded to the first decimal place, may not add up to equal the total due to rounding.
3. 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. The property name, aune Tenjin, was changed from PRIZE TENJIN as of October 1, 2017.

4. Major Tenants

According to JREIT regulations, OJR is required to disclose information about tenants who lease more than 10% of total rentable area of the fund's portfolio. As of the end of the 31st fiscal period (at the end of August 2017), ORIX Corporation was the company subject to this requirement.

Name of Tenant	ORIX Corporation
Business	Diversified financial business
Property	Please see the table below for details.
Rented Space	Please see the list for the largest tenant in terms of area shown on the following page.
Ratio to Total Rented Space	10.1%
Contract Rent	Monthly basis ¥360 million (1) (Yearly basis ¥4,323 million) (2)
Expiry Date	Please see the list for the largest tenant in terms of area shown on the following page.
Method for Renewal of Rent	Please see the table below for details.
Leasehold and security deposits received	¥3,535 million
Property	Method for Renewal of Rent
Round-Cross Akasaka	(3)
ORIX Shiba 2-chome Building	(3)
Omiya Shimocho 1-chome Building	(3)
ORE Sapporo Building	(3)
ORIX Kobe Sannomiya Building	(3)
Hamamatsu Act Tower	(3)
Round-Cross Kagoshima	(3)
aune Yurakucho	(4)
Cross Avenue Harajuku	(4)
JouLe SHIBUYA	(4)
aune Ikebukuro	(3)
CROSS GARDEN KAWASAKI	(4)
Morioka Minami Shopping Center Sansa	Fixed term lease agreement for building (five-year term). There is no renewal. However, after this agreement expires, if lessor and lessee agree, both parties can separately conclude a new lease contact.
Cross Mall Shimonoseki-Chofu	(3)
intervillage OH! MAGARI	(3)
Valor Suzuka Shopping Center	(3)

Notes:

1. The tenant sublets the space of certain properties to end tenants based on sub-leasing agreements. For properties where the rental fee paid by the tenant varies depending on the status of subletting to end tenants, this figure indicates rental revenues based on the sub-lease agreements with the end tenants which are effective as of the last month of the fiscal period.
2. The yearly basis represents the amount annualized by multiplying the monthly basis contracted rent by 12.
3. Unless otherwise indicated by either party to the other party in writing by six months before the maturity date, the lease agreement for the building shall be automatically renewed for another two years commencing on the next day of the maturity date with the same terms and conditions.
4. Unless otherwise indicated by either party to the other party in writing by 12 months before the maturity date, the lease agreement for the building shall be automatically renewed for another two years commencing on the next day of the maturity date with the same terms and conditions.

The following list shows the largest tenant in terms of rented area as of August 31, 2017. Share in total rented space is calculated based on the area that OJR owns.

Name of Tenant	Property	Expiry Date ⁽¹⁾	Rented Space ⁽²⁾ (m ²)	Ratio to Total Rented Space ⁽²⁾ (%)
ORIX Corporation	Round-Cross Akasaka	October 31, 2018	538.66	0.0
	ORIX Shiba 2-chome Building	April 30, 2018	6,451.76	0.6
	Omiya Shimocho 1-chome Building	December 18, 2017	1,298.94	0.1
	ORE Sapporo Building	May 8, 2019	856.97	0.1
	ORIX Kobe Sannomiya Building	January 14, 2018	543.39	0.0
	Hamamatsu Act Tower	January 31, 2019	244.79	0.0
	Round-Cross Kagoshima	December 31, 2018	301.95	0.0
	aune Yurakucho	August 31, 2025	2,956.41	0.3
	Cross Avenue Harajuku	October 31, 2023	693.64	0.1
	JouLe SHIBUYA	March 31, 2024	2,394.93	0.2
	aune Ikebukuro	September 30, 2024	4,179.45	0.4
	CROSS GARDEN KAWASAKI	March 28, 2023	17,126.09	1.5
	Morioka Minami Shopping Center Sansa	July 30, 2022	17,107.50	1.5
	Cross Mall Shimonoseki-Chofu	January 9, 2024	4,893.81	0.4
	intervillage OH! MAGARI	June 25, 2028	39,346.05	3.4
	Valor Suzuka Shopping Center	March 31, 2024	16,782.02	1.5

Notes:

1. In cases where more than one lease contract has been concluded with a tenant, the date shown under the expiry date column is for the lease contract with the earliest expiry date.
2. Rented space and total rented space refers to the 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 as of August 31, 2017 is rounded to the first decimal place. Individual numbers may not add up to equal the total amounts due to rounding.

■ Capital Expenditure

1. Projects –32nd 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 31 st period	Already paid Amount
SAPPORO BRICK CUBE (Sapporo City, Hokkaido)	Renewal of air conditioners	From May 2018 to February 2019	¥300	¥-	¥-
SUNROUTE PLAZA TOKYO (Urayasu City, Chiba)	Renovation of hotel guest rooms	From January 2018 to March 2018	296	-	-
OX Tamachi Building (Minato-ku, Tokyo)	Renewal of commonplace	From November 2017 to February 2018	209	6	7
Toda Logistics Center (Toda City, Saitama)	Renewal of outer walls	From March 2018 to August 2018	196	-	-
Round-Cross Shiba Daimon (Minato-ku, Tokyo)	Renewal of commonplace	From November 2017 to February 2018	195	8	9
Hamamatsu Act Tower (Hamamatsu City, Shizuoka)	Renewal of air conditioner remote controller	From September 2016 to February 2019	185	-	60
Hamamatsu Act Tower (Hamamatsu City, Shizuoka)	Renewal of fire alarm	From September 2016 to February 2019	126	67	67
Round-Cross Ichi-bancho (Chiyoda-ku, Tokyo)	Renewal of air conditioners	From March 2017 to February 2018	116	-	-
Hotel Nikko Himeji (Himeji City, Hyogo)	Renewal of halls	From March 2018 to August 2018	96	-	-
ORE Omiya Building (Saitama City, Saitama)	Renewal of elevator	From May 2018 to August 2018	75	-	-
Cross Mall Shimonoseki-Chofu (Shimonoseki City, Yamaguchi)	Renewal of outer walls	From November 2017 to August 2018	46	-	-
Round-Cross Nishi Shinjuku (Shinjuku-ku, Tokyo)	Renewal of air conditioners	From November 2017 to February 2018	34	-	-

2. Results –31st Period

Total amount of capital expenditures in the 31th period was ¥1,615 million and major projects are summarized below. Combined with the repair costs of ¥487 million, total cost for capital improvements (repair cost and capital expenditures) during the 31st period was ¥2,103 million.

Property (Location)	Project	Period	Amount (In millions of yen)
SUNROUTE PLAZA TOKYO (Urayasu City, Chiba)	Renovation of banquet halls, chapels and commonplace	From July 2017 to August 2017	487
Hamamatsu Act Tower (Hamamatsu City, Shizuoka)	Renewal of audio lighting equipment	From April 2017 to May 2017	277
Round-Cross Tsukiji (Chuo-ku, Tokyo)	Renewal of air conditioners	From March 2017 to August 2017	167
Ichikawa Logistics Center (Ichikawa City, Chiba)	Renewal of outer walls	From April 2017 to August 2017	125
Other Capital Expenditures			558
Grand Total			¥1,615

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 30th and 31st periods.

	(In millions of yen)	
	For the period ended February 28, 2017	For the period ended August 31, 2017
Balance at the beginning	¥764	¥833
Amount reserved	833	961
Amount withdrawn	764	833
Amount carried forward	¥833	¥961

Notes:

In addition to the above reserve, OJR set aside ¥594 million as of August 31, 2017 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 August 31, 2017. 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 (Sumitomo Mitsui Trust Bank, Limited) and others providing administrative services and the like.

Item	(In millions of yen)	
	For the period ended February 28, 2017	For the period ended August 31, 2017
Asset management fees	¥1,298	¥1,396
Asset custody fees	43	45
Agent fees	116	120
Officers' fees	9	9
Auditors' fees	13	13
Other expenses	160	141
Total	¥1,642	¥1,727

Note:

Above figures do not include the sale fee of ¥24 million for the 30th period, and the acquisition fee of ¥226 million for the 30th period and ¥62 million for the 31st period that were paid to ORIX Asset Management Corporation. The acquisition fee has been capitalized as part of acquisition costs and the sale fee was netted against gain on sale of real estate properties.

■ Transaction Activities during Current Period

1. Real Estate and Real Estate Held in Trust

Property	(In millions of yen)	
	Acquisition	
	Date	Price
CENTRUM ROPPONGI	June 23, 2017	¥12,400
Total		¥12,400

Note:

Acquisition price does not include transaction costs such as brokerage fees and taxes.

2. Other Assets

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

3. Transactions with Related Parties 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	¥12,400	¥—
	Amount of purchases from related parties ¥12,400 (100.0%)	Amount of sales to related parties ¥— (—%)
Breakdown of transactions with related parties		
Citrus Roppongi Tokutei Mokuteki Kaisha	¥12,400 (100.0%)	¥— (—%)
Total	¥12,400 (100.0%)	¥— (—%)

Notes:

- Figures in parentheses indicate percentages of total purchase prices and sale prices, as applicable. The percentages of total purchase prices and sales prices, each rounded to the first decimal place, may not add up to equal the totals due to rounding.
- With regard to the amount paid to related parties, the amount of ¥16 million, which is equivalent of the fixed asset tax and city planning tax for the year of acquisition, is not included in the purchase price or the amounts in the breakdown of transactions with related parties presented in the above table.

Commissions paid

Item	(A) Total Amount (In millions of yen)	Description of Transactions with Related Parties		
		Paid to	(B) Amount (In millions of yen)	(B)/(A)
Property maintenance fees	1,384	ORIX Corporation	¥159	11.5%
		Seafort Community Co., Inc.	45	3.3%
		ORIX Facilities Corporation	482	34.8%
		ACT CITY MANAGEMENT, K.K.	163	11.8%
Property management fees	515	ORIX Corporation	33	6.4%
		ORIX Real Estate Corporation	31	6.1%
		ORIX Facilities Corporation	12	2.4%
		DAIKYO ANABUKI REAL ESTATE INCORPORATED	39	7.7%

Notes:

- “Related Parties” refers to the related parties of asset management companies under the asset management agreement with OJR, as defined in the “Law Concerning Investment Trust and Investment Corporation, Article 201, Section 1.” In the 31st period, they were ORIX Corporation, Seafort Community Co., Inc. ORIX Facilities Corporation, ACT CITY MANAGEMENT, K.K., ORIX Real Estate Corporation and DAIKYO ANABUKI REAL ESTATE INCORPORATED. The above is a record of commission payments etc. made to them.
- Property management fees and property maintenance fees shown in the above table consist of the following:
 - commission for property management and property maintenance (collectively, “Real Estate Management”), paid to entities subcontracted by ORIX Asset Management Corporation based on a Real Estate Management Agreement between OJR and ORIX Asset Management Corporation; and
 - commission for Real Estate Management, paid to entities contracted by the trustees based on Real Estate Management Agreements between the trustees and ORIX Asset Management Corporation.
- Amounts paid to related parties other than those listed above such as for utility charges were as follows.
 - ORIX Corporation: ¥295 million (utility charges)
 - Tennozu Area Service Co., Inc.: ¥84 million (utility charges)
 - ORIX Bank Corporation: ¥5 million (interest expense, etc.)
 - ORIX Facilities Corporation: ¥438 million (repair cost, etc.)
 - ORIX Interior Corporation: ¥14 million (repair cost, etc.)
 - Flexible Energy Service Co., Ltd.: ¥2 million (research cost)
 - ORIX Rentec Corporation: ¥2 million (lease fee, etc.)

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Independent Auditor's Report

To the Board of Directors of
ORIX JREIT Inc.:

We have audited the accompanying financial statements of ORIX JREIT Inc. (a Japanese Real Estate Investment Trust), which comprise the balance sheets as at February 28, 2017 and August 31, 2017, and the statements of income, statements of changes in net assets and statements of cash flows for the six months ended February 28, 2017 and August 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of ORIX JREIT Inc. as at February 28, 2017 and August 31, 2017, and its financial performance and cash flows for the six months ended February 28, 2017 and August 31, 2017, in accordance with accounting principles generally accepted in Japan.

KPMG AZSA LLC

December 15, 2017
Tokyo, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

ORIX JREIT Inc.
BALANCE SHEETS

As of February 28, 2017 and August 31, 2017

	As of February 28, 2017	As of August 31, 2017
(In millions of yen)		
Assets		
Current assets:		
Cash and deposits including trust accounts (Notes 3, 4)	¥ 51,141	¥ 59,071
Rental receivables	452	790
Investment in finance lease (Notes 4, 12)	2,544	2,470
Prepaid expenses	142	130
Other current assets	10	7
Total current assets	54,291	62,469
Property and equipment, at cost:		
Land including trust accounts (Note 14)	404,107	414,934
Buildings and structures including trust accounts (Note 14)	170,537	172,689
Building improvements including trust accounts (Note 14)	50,479	51,294
Machinery and equipment including trust accounts (Note 14)	5,154	5,267
Construction in progress	13	40
	630,292	644,226
Less: Accumulated depreciation (Note 14)	(53,472)	(57,381)
Net property and equipment	576,819	586,844
Other assets:		
Leasehold interests including trust accounts (Note 14)	5,093	5,073
Long-term prepaid expenses	1,663	1,765
Others (Note 15)	1,665	1,745
Total assets	¥ 639,534	¥ 657,898
Liabilities and Net assets		
Liabilities		
Current liabilities:		
Trade and other payables	¥ 2,668	¥ 3,453
Short-term debt (Notes 4, 5)	21,800	—
Long-term debt due within one year (Notes 4, 5)	38,050	39,550
Accrued expenses	463	499
Rents received in advance	3,262	3,431
Income taxes payable	13	14
Consumption taxes payable	350	551
Other current liabilities	548	250
Total current liabilities	67,158	47,750
Non-current liabilities:		
Long-term debt (Notes 4, 5)	236,067	246,967
Leasehold and security deposits received (Note 4)	27,322	28,331
Asset retirement obligations (Note 15)	163	164
Total liabilities	330,711	323,213
Net assets (Notes 6, 8)		
Unitholders' capital	297,867	323,282
Units authorized: 10,000,000 units		
Units issued and outstanding: 2,524,623 units as of		
February 28, 2017 and 2,680,000 units as of August 31, 2017		
Retained earnings	10,955	11,402
Total net assets	308,823	334,685
Total liabilities and net assets	¥ 639,534	¥ 657,898

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

ORIX JREIT Inc.
STATEMENTS OF INCOME

For the six months ended February 28, 2017 and August 31, 2017

	For the six months ended	
	February 28, 2017	August 31, 2017
	(In millions of yen)	
Operating revenues:		
Rental revenues (Note 10)	¥ 18,815	¥ 19,897
Other operating revenues (Note 10)	2,371	2,587
Gains on sale of real estate properties (Note 11)	1,016	—
Total operating revenues	22,203	22,484
Operating expenses:		
Property-related expenses (Note 10)	9,910	10,564
Asset management fees	1,298	1,396
Administrative service fees	160	166
Other expenses	183	164
Total operating expenses	11,553	12,291
Operating income	10,650	10,192
Interest income	0	0
Interest expense	(1,154)	(1,191)
Issuance costs of new units	(58)	(24)
Borrowing expenses	(297)	(290)
Other expenses, net	(19)	(14)
Ordinary income	9,121	8,672
Income before income taxes	9,121	8,672
Provision for income taxes (Note 7)	13	15
Net income	¥ 9,107	¥ 8,657

	For the six months ended	
	February 28, 2017	August 31, 2017
Earnings per unit (Note 6)		
Net income (In yen)	¥ 3,609	¥ 3,233
Weighted average number of units outstanding	2,523,318	2,678,070

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

ORIX JREIT Inc.
STATEMENTS OF CHANGES IN NET ASSETS

For the six months ended February 28, 2017 and August 31, 2017

	(In millions of yen)			
	Number of Units	Unitholders' Capital	Retained Earnings	Total Net Assets
Balance as of August 31, 2016	2,421,323	¥ 280,753	¥ 9,111	¥ 289,865
Issuance of new units	103,300	17,113	—	17,113
Cash Dividends declared	—	—	(7,263)	(7,263)
Net Income	—	—	9,107	9,107
Balance as of February 28, 2017	2,524,623	¥ 297,867	¥ 10,955	¥ 308,823
Issuance of new units	155,377	25,414	—	25,414
Cash Dividends declared	—	—	(8,210)	(8,210)
Net Income	—	—	8,657	8,657
Balance as of August 31, 2017	2,680,000	¥ 323,282	¥ 11,402	¥ 334,685

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 February 28, 2017 and August 31, 2017

	For the six months ended	
	February 28, 2017	August 31, 2017
	(In millions of yen)	
Cash Flows from Operating Activities:		
Income before income taxes	¥ 9,121	¥ 8,672
Adjustments to reconcile income before income taxes to net cash provided by operating activities:		
Depreciation	3,956	4,015
Amortization of long-term prepaid expenses	236	235
Amortization of investment corporation bond issuance costs	10	10
Issuance costs of new units	58	24
Interest income	(0)	(0)
Interest expense	1,154	1,191
Loss on disposal of property and equipment	9	33
Changes in assets and liabilities:		
Rental receivables	469	(338)
Consumption taxes refundable	217	—
Consumption taxes payable	350	200
Investment in finance lease	74	74
Prepaid expenses	(28)	12
Payments of long-term prepaid expenses	(68)	(337)
Decrease in property and equipment due to sale	3,833	—
Withdrawal from reserve for repairs and maintenance	—	20
Trade and other payables	219	275
Rents received in advance	219	168
Others, net	98	(479)
Subtotal	19,931	13,779
Cash proceeds from interest income	0	0
Cash payments of interest expense	(1,166)	(1,164)
Cash payments of income taxes	(16)	(13)
Net cash provided by operating activities	18,748	12,601
Cash Flows from Investing Activities:		
Payments for investing in time deposits	(2,833)	(2,961)
Proceeds from maturity of time deposits	2,764	2,833
Purchases of property and equipment	(46,518)	(13,548)
Proceeds from leasehold and security deposits	1,920	1,946
Repayments of leasehold and security deposits	(877)	(728)
Payments for restricted deposits held in trust	(477)	(1,109)
Proceeds from restricted deposits held in trust	996	699
Others, net	(28)	(105)
Net cash used in investing activities	(45,052)	(12,975)

ORIX JREIT Inc.
STATEMENTS OF CASH FLOWS - (Continued)

For the six months ended February 28, 2017 and August 31, 2017

	For the six months ended	
	February 28, 2017	August 31, 2017
	(In millions of yen)	
Cash Flows from Financing Activities:		
Proceeds from short-term debt	21,800	—
Repayments of short-term debt	—	(21,800)
Proceeds from long-term debt	7,000	28,400
Repayments of long-term debt	(2,000)	(16,000)
Proceeds from issuance of new units	17,113	25,414
Payments of issuance costs of new units	(39)	(43)
Payment of dividends	(7,262)	(8,206)
Net cash provided by financing activities	36,611	7,764
Net change in cash and cash equivalents	10,308	7,390
Cash and cash equivalents at beginning of period	36,423	46,731
Cash and cash equivalents at end of period (Note 3)	¥ 46,731	¥ 54,121

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

Notes to Financial Statements

For the six months ended February 28, 2017 and August 31, 2017

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.

During the 31st fiscal period, OJR acquired CENTRUM ROPPONGI (acquisition price: ¥12,400 million) on June 23, 2017. As a result of the aforementioned activity, OJR’s portfolio included 110 properties as of August 31, 2017 (54 office buildings, 5 logistics facilities, 29 retail facilities, 14 residential properties, and 8 hotels and others properties).

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 necessarily 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 fixed-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 capitalized and amortized using the straight-line method over the respective terms of the bonds.

(e) Issuance costs of new units

Issuance costs of new units are recognized as expense when incurred.

(f) 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.

(g) Taxes on property and equipment

Property and equipment are subject to various taxes, such as fixed asset tax 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. The amount of such taxes included in the costs of real estate acquisition was ¥82 million and ¥16 million for the periods ended February 28, 2017 and August 31, 2017, respectively.

After the year of purchase, OJR principally recognizes taxes imposed on the properties as property-related expenses when incurred so that the total annual tax payments will be allocated evenly to each period.

(h) Hedge accounting

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

(i) 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 collectability for certain doubtful receivables and on past credit experiences for other receivables.

(j) 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.

(k) 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 original maturity of three months or less.

(l) Rounding of amounts presented in financial statements

The amounts have been rounded down to the nearest millions in the accompanying financial statements. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

(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.

3. Cash and Deposits including Trust Accounts

Cash and deposits including trust accounts include 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.

	(In millions of yen)	
	<u>As of February 28, 2017</u>	<u>As of August 31, 2017</u>
Cash and deposits including trust accounts.....	¥ 51,141	¥ 59,071
Less: restricted deposits held in trust.....	(1,577)	(1,987)
Less: time deposits due over three months.....	<u>(2,833)</u>	<u>(2,961)</u>
Cash and cash equivalents.....	<u>¥ 46,731</u>	<u>¥ 54,121</u>

4. Financial Instruments

[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, OJR's basic financial policy is to focus on borrowing funds for 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 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 purposes 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 diversifying the financing methods and lenders, dispersing repayment dates and establishing 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 swaps currently used qualify for hedge accounting and meet 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 managing 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 such risks 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 determined 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 February 28, 2017 and August 31, 2017 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 February 28, 2017			As of August 31, 2017		
	Book value	Fair value	Difference	Book value	Fair value	Difference
<u>Assets</u>						
(a) Cash and deposits including trust accounts	¥51,141	¥51,141	¥ —	¥59,071	¥59,071	¥ —
Total	¥51,141	¥51,141	¥ —	¥59,071	¥59,071	¥ —
<u>Liabilities</u>						
(a) Short-term debt	¥ 21,800	¥ 21,800	¥ —	¥—	¥—	¥ —
(b) Long-term debt due within one year	38,050	38,168	118	39,550	39,665	115
(c) Long-term debt	236,067	240,196	4,129	246,967	250,986	4,019
Total	¥295,917	¥300,164	¥4,247	¥286,517	¥290,652	¥4,135
Derivative transaction	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

Note 1. Information about measurement of fair value of financial instruments

Assets

(a) Cash and deposits including trust accounts

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.

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 fair value.

(b) Long-term debt due within one year

As of February 28, 2017 and August 31, 2017, long-term debt due within one year which includes investment corporation bonds and long-term loans are as follows.

(In millions of yen)

	As of February 28, 2017			As of August 31, 2017		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Investment corporation bonds	¥5,000	¥5,031	¥31	¥10,000	¥10,024	¥24
(2) Long-term loans	33,050	33,137	87	29,550	29,641	91
Total	¥38,050	¥38,168	¥118	¥39,550	¥39,665	¥115

(c) Long-term debt

As of February 28, 2017 and August 31, 2017, long-term debt which includes investment corporation bonds and long-term loans are as follows.

(In millions of yen)

	As of February 28, 2017			As of August 31, 2017		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Investment corporation bonds	¥ 14,500	¥14,762	¥262	¥ 9,500	¥9,758	¥258
(2) Long-term loans	221,567	225,434	3,867	237,467	241,228	3,761
Total	¥236,067	¥240,196	¥4,129	¥246,967	¥250,986	¥4,019

(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 bonds.

(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. As of February 28, 2017 and August 31, 2017, the fair values of interest rate swaps that are not recorded at fair value because they meet certain matching criteria (see Note2(h)) are included in the fair value of the relevant hedged long-term loans.

Derivative transaction

Please refer to Note 13 “Derivative Transaction.”

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

(In millions of yen)

	Book value	
	As of February 28, 2017	As of August 31, 2017
Leasehold and security deposits received	¥27,322	¥28,331

Leasehold and security deposits received from the tenants of lease properties are not subject to 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 February 28, 2017 and August 31, 2017

(In millions of yen)

	February 28, 2017					
	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 including trust accounts	¥51,141	¥ —	¥ —	¥ —	¥ —	¥ —
Total	¥51,141	¥ —	¥ —	¥ —	¥ —	¥ —

(In millions of yen)

	August 31, 2017					
	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 including trust accounts	¥59,071	¥ —	¥ —	¥ —	¥ —	¥ —
Total	¥59,071	¥ —	¥ —	¥ —	¥ —	¥ —

Note 4: Schedule for repayment of loans and redemption of investment corporation bonds after February 28, 2017 and August 31, 2017

(In millions of yen)

	February 28, 2017					
	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	¥ 21,800	¥ —	¥ —	¥ —	¥ —	¥ —
Investment corporation bonds	5,000	5,000	2,000	—	—	7,500
Long-term loans	33,050	27,760	34,430	32,100	32,430	94,847
Total	¥59,850	¥32,760	¥36,430	¥32,100	¥32,430	¥102,347

(In millions of yen)

	August 31, 2017					
	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
Investment corporation bonds	¥10,000	¥2,000	¥ —	¥ —	¥ —	¥7,500
Long-term loans	29,550	31,160	35,630	29,390	39,970	101,317
Total	¥39,550	¥33,160	¥35,630	¥29,390	¥39,970	¥108,817

5. Short-term and Long-term Debt

As of February 28, 2017, OJR had total interest bearing debt of ¥295,917 million comprised of ¥21,800 million of short-term loans and ¥254,617 million of long-term loans (including ¥33,050 million of current portion of long-term loans) and ¥19,500 million of investment corporation bonds (including ¥5,000 million of current portion of investment corporation bonds).

OJR made early repayments of short-term loans of ¥21,800 million, made to procure funds for property acquisition, by using proceeds from issue of new investment units through public offering made in March 2017. OJR took out long-term loans of ¥16,000 million in March 2017 to repay loans of which repayment dates arrived. OJR also took out long-term loans of ¥12,400 million in June 2017 to procure funds for property acquisition.

As a result of the activities above, as of August 31, 2017, outstanding loans amounted to ¥267,017 million (including ¥29,550 million of current portion of long-term loans), the balance of investment corporation bonds stood at ¥19,500 million (including ¥10,000 million of current portion of investment corporation bonds), and the balance of interest-bearing debt totaled ¥286,517 million.

Breakdown of the outstanding interest bearing debts as of February 28, 2017 and August 31, 2017 were as follows:

	(In millions of yen)	
	As of February 28, 2017	As of August 31, 2017
<Short-term Debt>		
Floating rate debt unsecured due on July 20, 2017 with interest rate of 0.18%	¥7,400	¥—
Floating rate debt unsecured due on July 20, 2017 with interest rate of 0.18%	7,200	—
Floating rate debt unsecured due on July 20, 2017 with interest rate of 0.18%	7,200	—
Total.....	¥21,800	¥—
<Long-term Debt>		
Floating rate debt unsecured due on March 17, 2017 with interest rate of 0.60%	16,000	—
Floating rate debt unsecured due on September 19, 2017 with interest rate of 0.57%	3,500	3,500
Floating rate debt unsecured due on September 20, 2018 with interest rate of 0.18%	800	800
Floating rate debt unsecured due on March 26, 2020 with interest rate of 0.31%	1,000	1,000
Floating rate debt unsecured due on March 22, 2021 with interest rate of 0.24%	2,000	2,000
Floating rate debt unsecured due on March 22, 2021 with interest rate of 0.24%	2,550	2,550
Floating rate debt unsecured due on March 22, 2022 with interest rate of 0.23%	—	4,500
Floating rate debt unsecured due on March 20, 2023 with interest rate of 0.31%	2,950	2,950
Fixed rate debt unsecured due on September 19, 2017 with interest rate of 1.06%	7,000	7,000
Fixed rate debt unsecured due on September 19, 2017 with interest rate of 1.06%	3,000	3,000
Fixed rate debt unsecured due on October 4, 2017 with interest rate of 1.02%	1,550	1,550
Fixed rate debt unsecured due on February 21, 2018 with interest rate of 0.84%	2,000	2,000
Fixed rate debt unsecured due on March 19, 2018 with interest rate of 0.91%	4,000	4,000
Fixed rate debt unsecured due on April 1, 2018 with interest rate of 0.50%	2,000	2,000
Fixed rate debt unsecured due on April 1, 2018 with interest rate of 0.50%	1,500	1,500
Fixed rate debt unsecured due on April 1, 2018 with interest rate of 0.50%	1,000	1,000
Fixed rate debt unsecured due on April 26, 2018 with interest rate of 0.86%	1,000	1,000
Fixed rate debt unsecured due on August 31, 2018 with interest rate of 0.73%	1,000	1,000
Fixed rate debt unsecured due on August 31, 2018 with interest rate of 0.73%	1,000	1,000
Fixed rate debt unsecured due on August 31, 2018 with interest rate of 0.73%	1,000	1,000
Fixed rate debt unsecured due on September 19, 2018 with interest rate of 1.19%	5,000	5,000
Fixed rate debt unsecured due on October 1, 2018 with interest rate of 0.97%	8,000	8,000
Fixed rate debt unsecured due on October 1, 2018 with interest rate of 0.97%	460	460
Fixed rate debt unsecured due on January 10, 2019 with interest rate of 0.83%	1,000	1,000
Fixed rate debt unsecured due on March 20, 2019 with interest rate of 1.07%	9,900	9,900
Fixed rate debt unsecured due on April 26, 2019 with interest rate of 1.31%	2,000	2,000
Fixed rate debt unsecured due on July 27, 2019 with interest rate of 2.27%	4,000	4,000
Fixed rate debt unsecured due on September 20, 2019 with interest rate of 0.35%	3,000	3,000
Fixed rate debt unsecured due on October 1, 2019 with interest rate of 0.82%	3,000	3,000
Fixed rate debt unsecured due on November 1, 2019 with interest rate of 0.91%	1,560	1,560
Fixed rate debt unsecured due on November 1, 2019 with interest rate of 0.91%	1,560	1,560
Fixed rate debt unsecured due on November 1, 2019 with interest rate of 0.91%	1,560	1,560
Fixed rate debt unsecured due on December 2, 2019 with interest rate of 1.80%	3,000	3,000
Fixed rate debt unsecured due on December 20, 2019 with interest rate of 0.91% ^(*)	3,350	3,350
Fixed rate debt unsecured due on December 24, 2019 with interest rate of 0.56%	1,500	1,500
Fixed rate debt unsecured due on March 19, 2020 with interest rate of 0.55% ^(*)	4,100	4,100

	As of February 28, 2017	As of August 31, 2017
Fixed rate debt unsecured due on April 1, 2020 with interest rate of 0.67% ^(*)	1,500	1,500
Fixed rate debt unsecured due on June 14, 2020 with interest rate of 1.54%	2,000	2,000
Fixed rate debt unsecured due on June 14, 2020 with interest rate of 1.54%	1,000	1,000
Fixed rate debt unsecured due on June 22, 2020 with interest rate of 0.57%	1,000	1,000
Fixed rate debt unsecured due on June 22, 2020 with interest rate of 0.53% ^(*)	1,000	1,000
Fixed rate debt unsecured due on June 22, 2020 with interest rate of 0.53% ^(*)	2,500	2,500
Fixed rate debt unsecured due on July 31, 2020 with interest rate of 1.44%	1,500	1,500
Fixed rate debt unsecured due on August 31, 2020 with interest rate of 1.22%	1,500	1,500
Fixed rate debt unsecured due on September 24, 2020 with interest rate of 1.15% ^(*)	7,000	7,000
Fixed rate debt unsecured due on November 1, 2020 with interest rate of 1.07%	3,000	3,000
Fixed rate debt unsecured due on February 21, 2021 with interest rate of 1.45%	5,000	5,000
Fixed rate debt unsecured due on March 22, 2021 with interest rate of 0.29%	2,000	2,000
Fixed rate debt unsecured due on April 2, 2021 with interest rate of 1.01% ^(*)	2,560	2,560
Fixed rate debt unsecured due on April 2, 2021 with interest rate of 1.01% ^(*)	1,280	1,280
Fixed rate debt unsecured due on June 21, 2021 with interest rate of 0.68% ^(*)	2,000	2,000
Fixed rate debt unsecured due on June 21, 2021 with interest rate of 0.20%	2,000	2,000
Fixed rate debt unsecured due on September 21, 2021 with interest rate of 0.70% ^(*)	3,400	3,400
Fixed rate debt unsecured due on October 1, 2021 with interest rate of 0.89%	4,740	4,740
Fixed rate debt unsecured due on October 1, 2021 with interest rate of 0.89%	2,500	2,500
Fixed rate debt unsecured due on December 20, 2021 with interest rate of 0.46% ^(*)	2,500	2,500
Fixed rate debt unsecured due on December 20, 2021 with interest rate of 0.24%	1,000	1,000
Fixed rate debt unsecured due on December 22, 2021 with interest rate of 0.83%	1,000	1,000
Fixed rate debt unsecured due on January 10, 2022 with interest rate of 1.34%	1,400	1,400
Fixed rate debt unsecured due on February 14, 2022 with interest rate of 1.20% ^(*)	1,500	1,500
Fixed rate debt unsecured due on March 22, 2022 with interest rate of 0.76% ^(*)	2,500	2,500
Fixed rate debt unsecured due on March 31, 2022 with interest rate of 1.09%	1,710	1,710
Fixed rate debt unsecured due on March 31, 2022 with interest rate of 1.16% ^(*)	2,560	2,560
Fixed rate debt unsecured due on March 31, 2022 with interest rate of 1.16% ^(*)	2,560	2,560
Fixed rate debt unsecured due on June 20, 2022 with interest rate of 1.05% ^(*)	7,100	7,100
Fixed rate debt unsecured due on June 20, 2022 with interest rate of 0.24%	—	1,000
Fixed rate debt unsecured due on September 18, 2022 with interest rate of 1.08%	3,800	3,800
Fixed rate debt unsecured due on September 20, 2022 with interest rate of 0.61% ^(*)	1,000	1,000
Fixed rate debt unsecured due on September 20, 2022 with interest rate of 0.61% ^(*)	1,000	1,000
Fixed rate debt unsecured due on September 20, 2022 with interest rate of 0.62%	1,000	1,000
Fixed rate debt unsecured due on December 20, 2022 with interest rate of 0.84%	4,000	4,000
Fixed rate debt unsecured due on December 20, 2022 with interest rate of 0.80% ^(*)	3,700	3,700
Fixed rate debt unsecured due on March 20, 2023 with interest rate of 0.45%	5,300	5,300
Fixed rate debt unsecured due on June 20, 2023 with interest rate of 0.86%	2,000	2,000
Fixed rate debt unsecured due on June 20, 2023 with interest rate of 0.87% ^(*)	2,000	2,000
Fixed rate debt unsecured due on June 20, 2023 with interest rate of 0.87% ^(*)	1,000	1,000
Fixed rate debt unsecured due on June 20, 2023 with interest rate of 0.33%	1,000	1,000
Fixed rate debt unsecured due on June 20, 2023 with interest rate of 0.37%	—	1,000
Fixed rate debt unsecured due on July 29, 2023 with interest rate of 0.84%	2,000	2,000
Fixed rate debt unsecured due on September 20, 2023 with interest rate of 0.72% ^(*)	1,100	1,100
Fixed rate debt unsecured due on September 20, 2023 with interest rate of 0.71%	2,000	2,000
Fixed rate debt unsecured due on September 20, 2023 with interest rate of 0.39%	1,000	1,000
Fixed rate debt unsecured due on December 20, 2023 with interest rate of 0.95%	1,000	1,000
Fixed rate debt unsecured due on December 20, 2023 with interest rate of 0.92% ^(*)	4,300	4,300
Fixed rate debt unsecured due on December 20, 2023 with interest rate of 0.67% ^(*)	1,900	1,900
Fixed rate debt unsecured due on March 21, 2024 with interest rate of 0.42%	1,750	1,750

	As of February 28, 2017	As of August 31, 2017
Fixed rate debt unsecured due on March 21, 2024 with interest rate of 0.56%	1,390	1,390
Fixed rate debt unsecured due on June 20, 2024 with interest rate of 1.03% ^(*1)	3,000	3,000
Fixed rate debt unsecured due on June 20, 2024 with interest rate of 0.43%	2,630	2,630
Fixed rate debt unsecured due on June 20, 2024 with interest rate of 0.38%	1,000	1,000
Fixed rate debt unsecured due on June 20, 2024 with interest rate of 0.38%	1,000	1,000
Fixed rate debt unsecured due on December 20, 2024 with interest rate of 1.03% ^(*1)	3,500	3,500
Fixed rate debt unsecured due on December 20, 2024 with interest rate of 1.03% ^(*1)	1,000	1,000
Fixed rate debt unsecured due on December 20, 2024 with interest rate of 0.78% ^(*1)	1,500	1,500
Fixed rate debt unsecured due on December 20, 2024 with interest rate of 0.78% ^(*1)	1,000	1,000
Fixed rate debt unsecured due on December 20, 2024 with interest rate of 0.56%	1,000	1,000
Fixed rate debt unsecured due on March 21, 2025 with interest rate of 0.47%	1,000	1,000
Fixed rate debt unsecured due on March 21, 2025 with interest rate of 0.50%	—	5,500
Fixed rate debt unsecured due on June 20, 2025 with interest rate of 1.09% ^(*1)	2,000	2,000
Fixed rate debt unsecured due on June 20, 2025 with interest rate of 0.53%	—	5,000
Fixed rate debt unsecured due on July 29, 2025 with interest rate of 1.05%	3,000	3,000
Fixed rate debt unsecured due on September 22, 2025 with interest rate of 0.94% ^(*1)	3,000	3,000
Fixed rate debt unsecured due on March 23, 2026 with interest rate of 0.70%	1,390	1,390
Fixed rate debt unsecured due on March 23, 2026 with interest rate of 0.70%	3,207	3,207
Fixed rate debt unsecured due on March 23, 2026 with interest rate of 0.66%	1,000	1,000
Fixed rate debt unsecured due on December 21, 2026 with interest rate of 0.66%	1,000	1,000
Fixed rate debt unsecured due on December 21, 2026 with interest rate of 0.66%	1,000	1,000
Fixed rate debt unsecured due on December 21, 2026 with interest rate of 0.66%	1,000	1,000
Fixed rate debt unsecured due on March 23, 2027 with interest rate of 0.78%	—	6,000
Fixed rate debt unsecured due on June 21, 2027 with interest rate of 0.72%	—	2,000
Fixed rate debt unsecured due on June 21, 2027 with interest rate of 0.71%	—	1,000
Fixed rate debt unsecured due on June 21, 2027 with interest rate of 0.72%	—	1,000
Fixed rate debt unsecured due on September 21, 2027 with interest rate of 0.73%	—	1,400
Unsecured bonds due on February 8, 2018 with interest rate of 0.76% ^(*2)	5,000	5,000
Unsecured bonds due on July 20, 2018 with interest rate of 0.44% ^(*2)	5,000	5,000
Unsecured bonds due on August 9, 2019 with interest rate of 0.31% ^(*2)	2,000	2,000
Unsecured bonds due on January 19, 2024 with interest rate of 1.20% ^(*2)	2,500	2,500
Unsecured bonds due on August 9, 2024 with interest rate of 0.90% ^(*2)	3,000	3,000
Unsecured bonds due on December 19, 2024 with interest rate of 0.89% ^(*2)	2,000	2,000
Total.....	<u>¥274,117</u>	<u>¥286,517</u>
Grand total of short-term and long-term debt.....	<u>¥295,917</u>	<u>¥286,517</u>

Notes:

- (*1) 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.
- (*2) The bonds were issued with pari passu conditions among specified investment corporation bonds.

The annual maturities of long-term debts as of August 31, 2017 were as follows.

	(In millions of yen)
Due within one year	¥39,550
Due after one to two years	33,160
Due after two to three years	35,630
Due after three to four years	29,390
Due after four to five years	39,970
Due after five years	108,817

OJR currently has commitment line contracts of ¥33,500 million with several financial institutions. The unused amount of such commitment line was ¥33,500 million as of August 31, 2017.

6. Per Unit Information

Net asset values per unit as of February 28, 2017 and August 31, 2017 were ¥122,324 and ¥124,883, respectively. Net income per unit was ¥3,609 for the six months ended February 28, 2017 and ¥3,233 for the six months ended August 31, 2017.

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 February 28, 2017 and August 31, 2017 were 2,523,318 and 2,678,070, respectively.

7. Income Taxes

As of February 28, 2017 and August 31, 2017, deferred tax assets and deferred tax liabilities are attributable to the following:

	(In millions of yen)	
	As of February 28, 2017	As of August 31, 2017
Deferred tax assets:		
Business facility tax payable not qualifying for deduction on tax returns	¥ 1	¥ 1
Amortization of leasehold interests	50	57
Asset retirement obligations	60	61
Others	<u>1</u>	<u>1</u>
Total deferred tax assets	<u>114</u>	<u>121</u>
Valuation allowance	<u>(114)</u>	<u>(121)</u>
Net deferred tax assets	<u>¥ —</u>	<u>¥ —</u>

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

	For the six months ended	
	February 28, 2017	August 31, 2017
Statutory tax rate.....	34.55%	34.57%
Deductible dividend distribution (*).....	(31.10%)	(34.51%)
Provision of reserve for advanced depreciation of non-current assets	(3.40%)	—
Others.....	0.10%	0.11%
Effective tax rate.....	<u>0.15%</u>	<u>0.17%</u>

*OJR follows a policy of making dividend distributions in excess of 90% of the amount available for distributions for a period to meet the 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 February 28, 2017 and August 31, 2017, OJR has determined to pay out a distribution in cash of ¥8,210 million and ¥8,656 million, respectively, which are nearly equal to the retained earnings remaining after deducting the amounts appropriated to the reserves for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures Law.

8. Net Assets

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

As of February 28, 2017 and August 31, 2017, retained earnings included a reserve of ¥1,847 million and ¥2,745 million for advanced depreciation of non-current assets as stipulated in Article 66-2 of the Special Taxation Measures Law.

Cash dividends are declared by the Board of Directors after the end of each period. Such dividends are payable to unitholders of record as of the end of each period. As discussed in Note 17, on October 17, 2017, the Board of Directors of OJR declared a cash dividend (¥3,230 per unit) totaling ¥8,656 million, which will be paid to unitholders of record as of August 31, 2017. The declaration of this dividend has not been reflected in the financial statements as of August 31, 2017.

9. Related-party Transactions

There were no related-party transactions that are required to be disclosed under Article 8-10 of the Regulations Concerning Financial Statements for the six months ended February 28, 2017 and August 31, 2017.

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 February 28, 2017 and August 31, 2017 consisted of the following:

Rental and other operating revenues:	(In millions of yen)	
	February 28, 2017	August 31, 2017
Rentals:		
Rental revenues.....	¥ 17,545	¥ 18,652
Common-area charges.....	1,074	1,048
Revenues from finance lease of property.....	<u>195</u>	<u>195</u>
Subtotal.....	<u>18,815</u>	<u>19,897</u>
Others:		
Parking lots.....	510	507
Cancellation penalty received.....	33	100
Miscellaneous.....	<u>1,827</u>	<u>1,979</u>
Subtotal.....	<u>2,371</u>	<u>2,587</u>
Total rental and other operating revenues.....	<u>¥ 21,186</u>	<u>¥ 22,484</u>
Property-related expenses:		
Property management fees.....	¥ 1,973	¥ 2,104
Depreciation.....	3,956	4,015
Utility charges.....	1,690	1,796
Property and other taxes.....	1,414	1,718
Cost of finance lease of property.....	74	74
Others.....	<u>801</u>	<u>855</u>
Total property-related expenses.....	<u>¥ 9,910</u>	<u>¥ 10,564</u>
Operating income from property leasing.....	<u>¥ 11,276</u>	<u>¥ 11,920</u>

11. Breakdown of Gains on Sale of Real Estate Properties

Gains on sale of real estate properties during the period ended February 28, 2017 were as follows:

Toyo MK Building	(In millions of yen)	
	For the six months ended February 28, 2017	
Revenue from sale of real estate properties	¥ 4,950	
Cost of real estate properties	3,833	
Other sales expenses	<u>100</u>	
Gain on sale of real estate properties	<u>¥ 1,016</u>	

There was no gains on sale of real estate properties during the period ended August 31, 2017.

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 February 28, 2017 and August 31, 2017 were as follows:

	(In millions of yen)	
	As of February 28, 2017	As of August 31, 2017
Due within one year	¥ 7,791	¥ 8,420
Due after one year	23,768	27,880
Total	<u>¥ 31,560</u>	<u>¥ 36,301</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 February 28, 2017	As of August 31, 2017
Minimum lease payments receivable	¥ 2,819	¥ 2,642
Estimated residual value	1,355	1,355
Unearned interest income equivalents	<u>(1,630)</u>	<u>(1,527)</u>
Investment in finance lease	<u>¥ 2,544</u>	<u>¥ 2,470</u>

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

	(In millions of yen)	
	As of February 28, 2017	As of August 31, 2017
Due within one year	¥ 353	¥ 353
Due after one to two years	353	353
Due after two to three years	353	353
Due after three to four years	353	353
Due after four to five years	353	353
Over five years	<u>1,049</u>	<u>872</u>
Total	<u>¥ 2,819</u>	<u>¥ 2,642</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 periods ended February 28, 2017 and August 31, 2017 were ¥1 million less and ¥1 million more, 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, and does not enter into such transactions for speculative or trading purposes.

The derivative transactions as of February 28, 2017 and August 31, 2017 were as follows:

(In millions of yen)				
	Hedged item	Notional amount	Notional amount exceeding one year	Estimated fair value Unrealized gain / (loss)
<As of February 28, 2017>				
Interest-rate swaps:				
Fixed rate payable and floating rate receivable	Long-term loan	¥ 78,410	¥ 78,410	¥ (1,599)
<As of August 31, 2017>				
Interest-rate swaps:				
Fixed rate payable and floating rate receivable	Long-term loan	¥ 78,410	¥ 78,410	¥ (1,658)

The fair values of the interest rate swaps are 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 swaps qualify for hedge accounting and meet certain matching criteria, the swaps are not recorded at fair value on the accompanying balance sheets, as described in the summary of significant accounting policies.

In addition, since each swap is accounted for as a unit together with the long-term loan which is hedged by the swap, fair value of the swap is disclosed as part of the fair value of the hedged long-term debt/loan in the fair value disclosure in Note 4, "Financial Instruments."

14. Investment and Rental Property

(For the period from September 1, 2016 to February 28, 2017)

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 September 1, 2016	Net change during period	As of February 28, 2017	As of February 28, 2017
¥543,463	¥38,436	¥581,900	¥675,268

Notes:

1. Book value is calculated by deducting accumulated depreciation from acquisition cost.
2. The principal increase in the book value during the period is due to the acquisition of five properties (Gaien Nishi-dori Building, Hotel Nikko Himeji, PRIZE TENJIN, intervillage OH! MAGARI (Extension), SUNROUTE PLAZA TOKYO) for ¥45,591 million. The major decrease during the period is due to the sale of one property (Toyo MK Building) for ¥3,833 million and the 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, 2017 is disclosed in Note 10, "Breakdown of Rental and Other Operating Revenues, and Property-related Expenses."

(For the period from March 1, 2017 to August 31, 2017)

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 March 1, 2017	Net change during period	As of August 31, 2017	As of August 31, 2017
¥581,900	¥9,977	¥591,877	¥699,283

Notes:

1. Book value is calculated by deducting accumulated depreciation from acquisition cost.
2. The principal increase in the book value during the period is due to the acquisition of one property (CENTRUM ROPPONGI) for ¥12,485 million. The major decrease during the period is due to the 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, 2017 is disclosed in Note 10, “Breakdown of Rental and Other Operating Revenues, and Property-related Expenses.”

15. Asset Retirement Obligations

(a) Obligation to remove asbestos

OJR has contractual and legal obligations to remove asbestos contained in the building of ORE Omiya Building. The estimated period of use of the property is 38 years based on the useful life of building. The asset retirement obligations for the removal of asbestos is recognized as a liability using discount rates at 1.489%.

Movements of asset retirement obligation for the six months ended February 28, 2017 and August 31, 2017 are as follows:

	(In millions of yen)	
	As of February 28, 2017	As of August 31, 2017
Balance at the beginning of the period	¥ 161	¥ 163
Adjustment for passage of time	<u>1</u>	<u>1</u>
Balance at the end of the period	<u>¥ 163</u>	<u>¥ 164</u>

(b) Obligation under fixed-term lease agreements

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. Leasehold and security deposits are included in “Others” of “Other assets” on the balance sheets.

16. Segment Information

(For the period from September 1, 2016 to February 28, 2017)

<Segment Information>

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

<Related Information>

1. Information by Products and Services

Disclosure of this information has been omitted because substantially all of the operating revenues are earned from external customers in a single product/service category.

2. Information by Geographic Areas

(a) Operating revenues

Disclosure of this information has been omitted because substantially all of the operating revenues are earned from external customers in Japan.

(b) Property and equipment

Disclosure of this information has been omitted because substantially all property and equipment are located in Japan.

3. Information by Major Customer

Tenant	ORIX Corporation
Operating revenues	¥2,486 million
Related segment	Real Estate Leasing Business

The tenant sublets the space to end tenants based on sub-leasing agreements.

(For the period from March 1, 2017 to August 31, 2017)

<Segment Information>

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

<Related Information>

1. Information by Products and Services

Disclosure of this information has been omitted because substantially all of the operating revenues are earned from external customers in a single product/service category.

2. Information by Geographic Areas

(a) Operating revenues

Disclosure of this information has been omitted because substantially all of the operating revenues are earned from external customers in Japan.

(b) Property and equipment

Disclosure of this information has been omitted because substantially all property and equipment are located in Japan.

3. Information by Major Customer

Tenant	ORIX Corporation
Operating revenues	¥2,425 million
Related segment	Real Estate Leasing Business

The tenant sublets the space to end tenants based on sub-leasing agreements.

17. Subsequent Events

(a) Cash Distribution Declared

On October 17, 2017, the Board of Directors of OJR resolved to distribute cash payment of ¥3,230 per unit, aggregating to ¥8,656 million, to its unitholders of record as of August 31, 2017.

(b) Sale of property

OJR sold Round-Cross Minami Azabu after the end of 31st period as follows:

Name of property	Round-Cross Minami Azabu
1.Sales price	¥1,632 million
2.Assets to be transferred	Real estate
3.Contract date	December 6, 2017
4.Delivery date	December 8, 2017
5.Buyer	MITSUBISHI JISHO RESIDENCE CO., LTD.
6.Estimated impact of sale	Approximately ¥275 million of gain on sale of real estate property will be recorded

Corporate Data

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Date of Incorporation

September 10, 2001

Capital (as of August 31, 2017)

¥323,282 million

2,680,000 units

Number of Unitholders (as of August 31, 2017)

22,011

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited

4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-8233, 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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