A Message from the COO

Promoting the acceleration of "Finance + Services" and actively capturing new opportunities by leveraging expertise

Overview of the Fiscal Year Ended March 31, 2013

Although it was a year in which we saw lingering financial turmoil in Europe and continued instability in the capital markets, net income for the ORIX Group in the fiscal year ended March 31, 2013 was 111.9 billion yen, a 34% increase compared with the previous fiscal year, exceeding our initial target of 100 billion yen. Also, segment profits increased in all segments. In particular, the Investment and Operation and Retail segments showed a significant increase in profits, achieving two fold increases compared with the previous fiscal year. In addition, the Maintenance Leasing and Overseas Business segments maintained a high level of profitability. Regarding segment assets, asset reduction exceeded our initial target in the Real Estate segment, whereas we significantly expanded our Maintenance Leasing, Retail and Overseas Business segment assets. As a result, we increased the segment asset ROA (after tax) from 1.4% to 1.8%.

Segment Results for the Fiscal Year Ended March 31, 2013

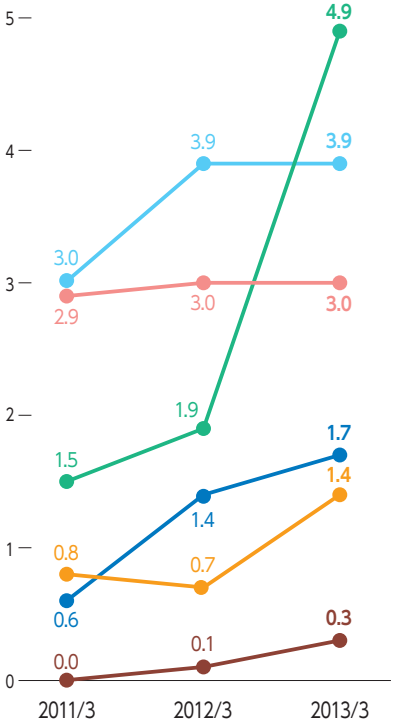
In the Corporate Financial Services segment, sales of solar power generation systems were strong and contributed to the expansion of our customer base. Segment profits increased 15% compared with the previous fiscal year due to robust revenues from direct financing leases due to an increase in new transactions.

The Maintenance Leasing segment maintained a high level of stable revenues by providing high-value-added services in response to company needs to reduce costs. Segment profits increased 4% compared with the previous fiscal year due to robust operating lease revenues and a steady increase in new transaction volume.

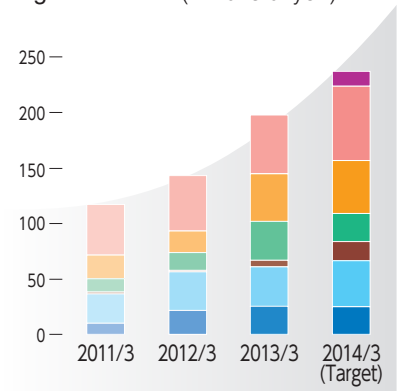
In the Real Estate segment, revenues from the facilities operation business including aquariums increased. In addition, gains from sales of rental properties increased as a result of active asset reduction we pressed ahead under the improving real estate market. Segment profits increased 314% compared with the previous fiscal year. The percentage of segment assets accounted for the real estate segment decreased to 18%, below the target of 20%.

Performance by Segment (Fiscal year ended March 31, 2012 to March 31, 2013)

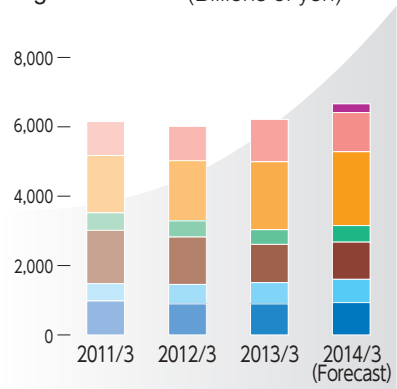
Segment Asset ROA (%)



Segment Profits (Billions of yen)



Segment Assets (Billions of yen)



- Corporate Financial Services
- Maintenance Leasing
- Real Estate
- Investment and Operation
- Retail
- Overseas Business
- Robeco

In the Investment and Operation segment, gains from the sale of Aozora Bank shares and revenues from collections in the loan servicing business made a contribution. Segment profits increased 119% compared with the previous fiscal year due to the robust revenues from both new and existing investments in the principal investment business.

In the Retail segment, revenues increased steadily due to a rise in the number of new policies in the life insurance business. ORIX Credit, which again became a consolidated subsidiary also contributed to revenues. Furthermore, due to the absence of a write-down that was recognized for investment in equity-method affiliate Monex Group, Inc. during the previous fiscal year, segments profits increased 123% compared with the previous fiscal year.

In the Overseas Business segment, mainly the leasing assets of local subsidiaries in Asia and the assets of the aircraft business increased. The Overseas Business segment assets increased compared with the previous fiscal year. Revenues from direct financing leases and automobile and aircraft operating leases were robust, and fee revenues in the United States increased. Segment profits increased 6% compared with the previous fiscal year.

Goals for the Fiscal Year Ending March 31, 2014

As approximately two-thirds of ORIX's revenues are earned in Japan, they are strongly influenced by the state of the domestic economy. In Japan, there is increased anticipation of an upturn in market sentiment as a result of the positive influence on the stock and real estate markets of the Abe regime's fiscal stimulus and the Bank of Japan's monetary easing. In the future, we imagine that we will see a tangible growth strategy, but we are not yet convinced that we will be able to escape the current economic stagnation and enter the road toward growth. Overseas, in the United States there is more excitement regarding an upturn in market sentiment than in Japan, but how far this will move forward a full-scale recovery is unclear. And with uncertainty remaining in China, there is a feeling that the world economy is still unstable. However, regardless of the state of the economy, if ORIX leverages the expertise, domestic and overseas networks, and trust it has cultivated until now, I believe that ORIX has the ability to realize organic double-digit profit growth.

At the end of the fiscal year ended March 31, 2013, shareholders' equity increased by nearly 100 billion yen with the conversion of convertible bonds to shares. Even considering the consolidation of the Dutch company Robeco with the acquisition of shares completed in July 2013, we have sufficient capital for both new investment and unexpected downside risks. Although it is difficult to conclude transactions in an unstable business environment, we believe there are also many opportunities. By carefully selecting "good risk" which will become the seeds of the next stage of growth, we aim to further improve profitability by accelerating "Finance + Services."

We are aiming for 135 billion yen in net income for the fiscal year ending March 31, 2014, a 21% increase from the previous fiscal year. We are targeting for increased profits in all business segments except the Investment and Operation segment, which had one-time profit contributions in the fiscal year ended March 31, 2013. In addition, we anticipate that our revenue base will become even stronger with the consolidation of Robeco. Regarding segment assets, we will continue to reduce assets in the Real Estate segment, but in the other business segments, we will strive to increase assets, focusing on the Overseas Business and Retail segments. We anticipate that segment asset ROA will increase further due to the improved profitability of the individual business segments. We would like to take definite steps to achieve 10% ROE in the fiscal year ending March 31, 2016, while increasing earnings per share.

Regarding Our Business Portfolio

We do not have defined percentage targets for revenue or assets from each business unit. Looking at our domestic and overseas sections, the revenue contribution made by the overseas section will increase due to the consolidation of Robeco, but even regarding this, we have not defined percentage targets. We intend to build our business strategy by looking at the business as a whole. However, regarding the Real Estate segment, we will control assets at around 15–20% of total segment assets. Real estate is an asset that we want to include in ORIX's business portfolio considering the number of opportunities presented by large movements of capital in the real estate market. However, as it is a high risk market with large fluctuations, we believe it is necessary to establish a fixed upper limit for its place in our portfolio.

On the other hand, to achieve a 10% ROE in the fiscal year ending March 31, 2016, we believe that a segment asset ROA of at least 2.5% is required. The ROA of each business segment varies, but we aim to achieve a 2.5% ROA for our whole portfolio by continuing to improve the individual ROAs of each business segment. Looking at the segments individually, the Maintenance Leasing and Retail segments generate stable revenue. The Maintenance Leasing segment maintains a high ROA, but if we leverage ORIX's expertise, we believe achieving a 4% ROA is possible as there is still room for development in the domestic automobile and rental market. As the ROA of the Retail segment is low, we will proceed to improve ROA by expanding our life insurance and card loan businesses. Moreover, revenues from the Corporate Financial Services segment are stable, but it is becoming more difficult to increase assets and capture stable revenues from interest. Therefore, this segment is increasing profitability and capturing fees by providing various services as the ORIX Group hub. We will improve the ROA of the Real Estate segment through asset turnover. We are also converting the contents of our assets to operating facilities, which are less influenced by fluctuations in the real estate market. We aim to achieve 1% ROA in the short term. Until now, the loan servicing business has provided the core revenue for the Investment and Operation segment, but in the fiscal year ended March 31, 2013, there was progress in principal investment and investment in the field of environment and energy. In the future, we intend to make stable revenues earned from these three businesses to be the pillars for this business segment. In the Overseas Business segment, our local subsidiary leasing business, the aircraft business and the fee business in the United States are all achieving stable high revenues. Moving forward, I would like to expand our revenue base by diversifying businesses in the overseas.

ORIX has much varied expertise. It is my mission to realize growth and capture new opportunities by leveraging this expertise. I stand committed to helping the Group strive toward growth on a higher level.

July 2013

Makoto Inoue

Director, Representative Executive Officer
President and Chief Operating Officer