

Risk Management

We consider management of a variety of risks essential to the effective allocation of management resources and to increasing our corporate value in light of the diversification of our business model and the consequent changes in our risk profile. Accordingly, through the development of a credible information network we have designed our risk management system in a manner that permits us to identify, measure, analyze and evaluate our risks, and to set appropriate policies and limits to manage and hedge such risks.

In order to measure risk, we have adopted different methods in accordance with the characteristics of the assets and operations associated with each business. We alter the methods used to measure risk as a result of changes in our business model or the business environment.

Risk is monitored for each business and for each type of risk. Our monitoring includes details of where capital is used, analysis of

changes over time and deviation from initial plans, and evaluation of profitability with respect to risk capital (the maximum magnitude of potential losses). Based on individual risks, monitoring also includes progress reports on particular projects and investments, including the status of exit strategies, comprehensive comparative analyses of projections and actual performance, and analyses of changes over time in important targets.

We continuously refine and strengthen our risk monitoring processes. We use the results of our monitoring by making changes to implement more sophisticated risk measurement methods and improve our risk management system.

The results of our monitoring are reported to senior management through the Investment and Credit Committee, and Group Executive Officer Meetings on a quarterly basis and are part of the fundamental data used to reevaluate risk capital and management strategies.

1. Systems and Functions Supporting Risk Management

Our risk management system is comprised of five principal functions. The first function consists of the sales and marketing departments. Our sales and marketing staff are responsible for a range of risk management functions, including implementing an initial credit analysis and evaluation with respect to potential transactions, and monitoring risks and managing and collecting problem assets with respect to originated transactions.

At the second function, we have four specialized groups responsible for risk management, consisting principally of the Risk Management Headquarters, which is responsible for evaluating and monitoring transactions proposed by our sales and marketing departments and for monitoring operating assets and risk capital and quantifying risk; the Treasury Department, which is in charge of risk related to procurement of funds; the Legal Department, which is in charge of legal risk; and the Compliance Department, which promotes compliance.

The third function of our risk management system is our Investment and Credit Committee, ("ICC"), which is comprised of senior management, including the CEO, COO, CFO, and the executive officer in charge of investment and credit. The ICC meets on average three times a month primarily to review and approve or reject individual credit transactions and investments that exceed certain specified credit or investment amounts.

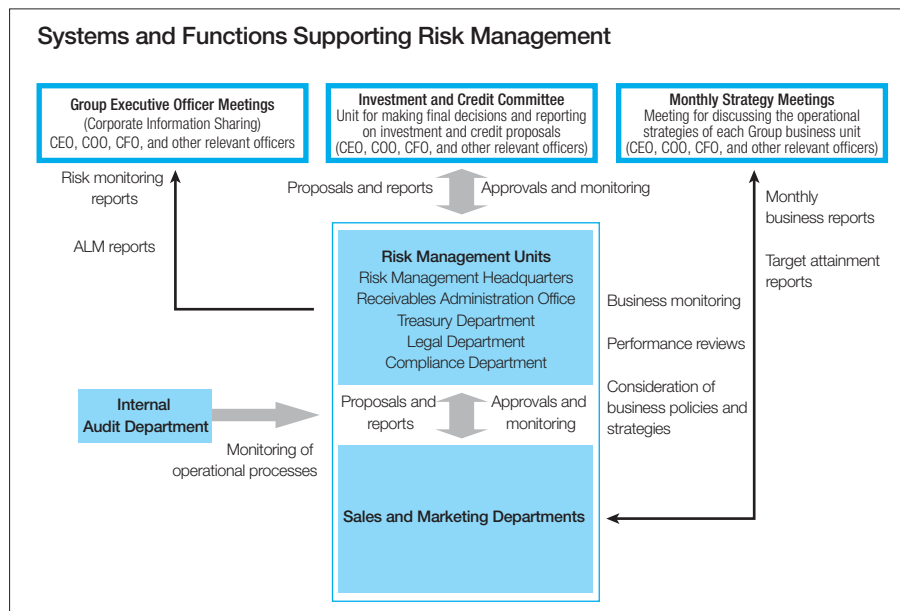
Our monthly strategy meetings add a fourth function to our risk management system. These meetings, which are held monthly by each segment in principle, perform a particularly important role in the monitoring and control of the various businesses in which we are involved. In these meetings, senior management meets with the executives in charge of individual departments or business units to discuss matters such as the state of achievement of targets and changes in the business environment. Matters discussed in strategy meetings and considered vitally important to our operations are decided on by the ICC and reported to the board of directors as appropriate.

The fifth function of the risk management system is our Group Executive Officer Meetings, comprised of our directors, executive officers and group executives. Important information regarding the execution of duties by such officers of ORIX and the results of monitoring related to risk management and problem assets are discussed at such meetings.

2. Types of Risks Managed

(1) Risk Management of Direct Financing Leases and Installment Loans

The principal risk in direct financing leases and installment loans is the credit risk associated with the customer and its business. Risk management in this field consists of four elements: (i) credit evaluation for



each transaction, (ii) management of credit information, (iii) implementation of corrective actions for the management of problem assets and (iv) portfolio management. Our direct financing lease and installment loan businesses are mainly conducted in our Corporate Financial Services segment, The Americas segment and the Asia, Oceania and Europe segment.

● Credit Evaluation for Each Transaction

Staff members in our sales and marketing departments are authorized to approve individual credit transactions within specific limits that are set in line with the seniority of the relevant staff member and determined based on the magnitude of existing and potential new credit and on the corporate value contribution spread (calculated from investment yield, default rates, preservation situation, funding cost and the ratio of administrative costs to capital costs). If a proposed transaction exceeds the relevant limit, it must be referred to the Risk Management Headquarters for approval. If the transaction value exceeds the approval limit of the Risk Management Headquarters, the matter is referred to the ICC for approval. In connection with each potential credit transaction, the relevant sales and marketing department and the Risk Management Headquarters each performs a comprehensive customer credit evaluation based on the relevant customer's financial position, transactional performance and projected cash flow. The evaluation also covers the collateral or guarantees, terms and conditions and potential profitability of the transaction. The Risk Management Headquarters regularly conducts by-country, by-region and by-industry evaluations to manage exposure to potentially high-risk markets.

● Management of Credit Information

Our Risk Management Headquarters obtains information on bankruptcies, dishonored bills and corporate performance from a number of credit data banks on a daily basis. This information is entered into a central database, which is used to prepare industry analysis reports and warning reports that are provided to relevant sales and marketing departments to keep them current on the condition of important customers. In cases where concerns associated with certain industries or customers arise, we take measures that may include freezing the extension of new credit, or reducing our existing exposure, with respect to the industry or customer in question.

● Corrective Actions for the Management of Problem Assets

We identify and administer problem assets, including debtors who have petitioned for bankruptcy or civil rehabilitation, or other insolvency proceedings, whose bank transactions are suspended, whose bills are dishonored, whose debts are not collected for three months or more, and whose businesses have deteriorated or who are involved in fraud. Preliminary reports on problem assets are prepared and delivered to the Receivables Administration Office and senior management depending on the size of the asset, and all pertinent data on such problem assets are entered into our proprietary database. Our sales and marketing departments work together with our Receivables Administration Office to maintain accurate records of delinquencies and to collect individual problem assets. Collection progress is reported to different levels of management depending on the size of the asset. Furthermore, the Receivables Administration Office regularly makes reports to the Group Executive Officer Meetings regarding overall trends in problem assets and problem assets exceeding a specified amount. Such reports on problem assets exceeding specified amounts includes details on the individual status, balance, and amount of expected recovery of these problem assets.

In making collections, we believe an early response is extremely important. When information is received regarding the emergence of problem assets, our Receivables Administration Office takes immediate action, in cooperation with the relevant sales and marketing departments, to take steps to secure collateral or other guarantees and to begin the collection process. The Receivables Administration Office plays an important role in the collection process by drawing on

its accumulated experience in collections and working closely with the sales and marketing departments providing such departments with appropriate guidance beginning with early first notices and extending to compulsory legal measures including seizure of collateral pledged against the exposure and other assets.

● Portfolio Management

In addition to the risks inherent in each individual credit extension and transaction, our Risk Management Headquarters regularly manages the credit risks associated with portfolios of assets. For example, both in Japan and overseas, we regularly evaluate our asset portfolios involving major borrowers by each transactional category, by industry and by type of collateral or guarantee. We also monitor the concentration of specific customers and industries not only by the size of the asset but also by the magnitude of risk capital as assessed based on credit value at risk and other standards. We further classify and manage overseas asset portfolios by region, country and other characteristics.

The information described above is reported regularly to the ICC and Group Executive Officer Meetings by the Risk Management Headquarters.

(2) Risk Management of Operating Leases

A principal risk relating to operating leases is the risk of fluctuation of residual value of the leased property. Credit risk management is discussed above. Here we discuss managing the risk of fluctuation of residual value of the leased item, which is a characteristic most significant to operating leases. Operating leases are mainly located in the Automobile Operations segment, the Rental Operations segment and the Asia, Oceania and Europe segment.

● Residual Value Risk Management

In order to control fluctuations in residual value, we monitor inventories of leased items, market environments and the overall business environment.

Some operating lease items such as ships or aircraft are classified as long-lived assets, but may only be leased out for a few years, and we bear the residual value risk for these items. We primarily limit our ship operating leases to general-purpose ships that are relatively easier to repossess and re-lease. We finance larger ships that may have specific uses, but do not own them, as we do in the case of operating leases. For aircraft, as a rule, we have limited our inventory primarily to narrow-bodied aircraft, which are relatively versatile and easy to lease. We monitor the market values of these ships and aircraft and sell assets as necessary or desirable to reduce our exposure to downward trends in the market or take advantage of upward trends.

(3) Risk Management of Real Estate-Related Businesses

The activities of our real estate-related operations consist principally of the development of residential condominiums and the development and leasing of commercial real estate, as well as the operation of hotels, golf courses and training facilities, and financing operations for these real estate-related businesses. As described in the following subsections, to control risks related to these operations, the ORIX Group has created various internal functions and capabilities, including those for comprehensive investment-related decision-making associated with the analysis and evaluation of individual investments as well as those for monitoring associated with the overall analysis and evaluation of our portfolio.

Experience in Real Estate Development and Management Operations. ORIX has many years of experience autonomously undertaking real estate development, leasing, and management operations that involve office buildings, commercial buildings, and many other kinds of real estate. We have substantial specialized expertise for evaluating the quality and special characteristics of individual real estate assets from concrete and abstract perspectives as well as for assessing related cash flows.

Real Estate Evaluation Specialists. We are able to quickly obtain real estate appraisals and engineering reports from our internal real estate specialists working in the Real Estate Appraisal Group of our Risk Management Headquarters. This group includes a total of 16 certified real estate appraisers and assistant real estate appraisers. In addition, the Construction Management Section of ORIX Real Estate includes 22 certified Class I architects.

Credit Evaluation Experience and Due Diligence Capabilities. We have accumulated substantial credit evaluation know-how for assessing the credit risks associated with general contractors, tenants, and other related parties. ORIX includes companies specialized in property management and due diligence. These companies facilitate our acquisition of diverse real estate-related information and also enable us to evaluate real estate from specialized perspectives.

Specialist Cooperation. We believe that we can make quick real estate-related investment and finance decisions because our management structure facilitates close cooperation among a number of our specialist groups, including those responsible for legal, accounting, tax, and compliance issues.

Real estate-related business matters are decided by the ICC, which ascertains various risks including reputation risk, taking into account the opinions and valuations of specialized departments based on a number of indices for measuring profitability.

Regarding our real estate-related business portfolio, we place a heavy emphasis on the monitoring of business strategies and schedules. When changes in plan or fluctuations in revenues or schedules are observed, the business strategy is reevaluated.

Additionally, we work toward controlling or reducing risk by monitoring risk according to the characteristics of each business. Examples of factors we monitor are, in the case of our non-recourse loan business, the interest spread, the loan-to-value ratio, (“LTV ratio”), the debt service coverage ratio and other terms and conditions such as the amount of equity provided interest rate reserves and guarantees; in the case of our residential condominium business, the completed inventory, sales period and profit margin; and in the case of our development, leasing and management operations, the schedule, Net Operating Income, holding period and profits. Results from the monitoring and evaluation of actual performance are included among factors used to calculate the magnitude of risk capital. Moreover, monitoring results are categorized according to business mode, asset type, location, and other characteristics before being reported at regular intervals to the ICC and the Group Executive Officer Meetings.

(4) Risk Management of Investment Operations

ORIX is expanding its investment operations in areas such as private equity investment, venture capital investment, and corporate rehabilitation. These businesses are located primarily in the Real Estate segment, Other segment and Asia, Oceania and Europe segment.

In order for us to ensure that the checks and balances in our operations are more effective, we examine new business transactions from perspectives different from those traditionally employed in credit evaluations. For example, we may consider the overall viability of a particular business along with its investment and financing scheme. In order to examine new business transactions from different perspectives, we make use of our accounting, tax, and legal specialists for due diligence such as risk analysis and asset evaluations.

In our investment operations we believe that the monitoring of business strategy and schedules are important elements of risk management. We re-examine our business strategy when we identify changes in factors such as investment strategies and value-enhancing events, or fluctuations in revenues and schedules.

Performance evaluation through monitoring is also used as an element in the calculation of risk capital. Regular reports on our portfolio of investments are made in detail to the ICC, the Group Executive Officer

Meetings and monthly strategy meetings. We use a system whereby changes in distributions in assets and risk capital are identified and analyzed according to different categories, by exit strategy, by transaction period, by transaction balance, by industry, by country, and by investment share, thereby helping us to control and reduce risk.

(5) Risk Management of Investment in Securities

● Stock and Bond Valuation Loss Risk Management

Our sales and marketing departments in Japan and Group companies in Japan and overseas that make investments in the equity or debt securities of other companies, along with our Risk Management Headquarters, monitor market trends and the condition of those companies which allows for a quick response to mitigate market risks associated with those investments. A substantial portion of the marketable equity securities we hold consists of those held to maintain our business relationships in Japan. As with general credit risk management, our sales and marketing departments monitor the market environment, operating results and financial condition of the companies in which we invest, and our Risk Management Headquarters provides credit information and industry analysis reports to our sales and marketing departments. Based on information on the unrealized gains or losses of the securities and the probability of companies defaulting on their obligations estimated by a proprietary model, our Risk Management Headquarters makes recommendations, which may include the sale of securities or the conduct of more detailed analysis of particular companies.

In connection with investments in securities by ORIX Life Insurance in Japan and ORIX USA in the United States, our investment departments regularly monitor interest rate policy, economic conditions, and securities and financial market trends. We also analyze on a daily basis price movements of securities, profits and losses on each investment and financial conditions of companies in which we invest and other factors. Our risk management departments review and compare daily reports against internal guidelines, and macro and microeconomic conditions, while the risk management departments also verify that our guidelines are being followed properly. The investment departments take actions based on our approved guidelines for conducting sales of securities to recognize gains, to reduce losses and to reduce positions.

(6) Risk Management Relating to Funds Procurement

● Liquidity Risk Management

We manage liquidity risk by diversifying our funding sources, establishing committed credit lines with financial institutions and adjusting levels of short- and long-term funding taking into consideration prevailing market conditions. We also recognize and manage liquidity risk through asset-liability risk management.

● Interest Rate Risk Management and Exchange Rate Risk Management

We manage risk associated with fluctuations in interest and exchange rates related to our assets and liabilities. In order to deal appropriately with these risks, policies are determined by the ICC for asset-liability management (“ALM”), and reports on the present status of our risk profile based on the ALM policy on future responses are carried out at the Group Executive Officer Meetings. In addition, we have set up rules and guidelines in relation to ALM. The guidelines specify risk management methods and responses in detail. A report concerning ALM is prepared monthly and submitted to the executive officer in charge of the Treasury Department and our CFO. The report includes ALM conditions of our principal overseas subsidiaries. Furthermore, our Risk Management Headquarters monitors ALM through monthly ALM reports.

● Derivative Risk Management

We use derivative transactions as hedges for the appropriate management of interest rate and exchange rate risks. We have established a

set of derivative transaction management rules for the entire ORIX Group to recognize and manage these risks properly. Furthermore, each company of ORIX, which conducts derivative transactions, has, under the rules, established derivative transactions management guidelines. In accordance with the guidelines, we specify procedures for the conduct of derivative transactions methods of reporting such transactions, and methods for evaluating the effectiveness of hedges; and we have allocated responsibility for execution of derivative transactions, evaluation thereof and certain administrative tasks relating thereto to separate departments, thereby establishing a system of internal controls. We use derivative transactions such as interest rate swaps and interest rate caps for the purpose of hedging interest rate risk, and forward exchange contracts and foreign currency swaps for the purpose of hedging exchange rate risk.

(7) Legal Risk Management

Transactional legal risk is a major type of legal risk that we face in our business. Transactional legal risk includes the risk that the contracts into which we enter contain unintended conditions, are not legally effective or cannot be carried out as stipulated in the contract, or that the transactions in which we participate involve activities that violate, or are not in strict compliance with, applicable laws. When we consider a new transaction, new product development or other new business activities, our risk management system requires an examination of these types of legal risks.

In an attempt to prevent and mitigate such legal risks, in Japan we require, in principle, that our Legal Department be involved in transactions from the early stages when a transaction is first considered through the documentation process in which transaction-related contracts are prepared for internal review and final approval. Contracts may not be approved internally unless they follow our prescribed rules and guidelines. Our Legal Department is also involved in the process for the approval of such contracts. Depending on the size and importance of a given transaction, we may also utilize the expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with legal disputes and litigation, we require that our Legal Department be involved in such disputes and litigation, including lawsuits that have been, or are expected to be, brought against us and lawsuits that we bring, or expect to bring, against third parties. The status of any lawsuits are reported to the Group Executive Officer Meetings regularly.

We monitor possible changes in the law, as information becomes available. As necessary or appropriate, we may also initiate preparatory measures to address the requirements of new laws that are expected to take effect in the future and implement steps to ensure that we are, and continue to be, in compliance with new laws as they take effect.

Overseas, each Group company is working to avoid, prevent, and mitigate risks through programs involving an in-house lawyer and, when necessary, with the involvement of outside lawyers and others. In addition, the Legal Department conducts monitoring activities to prevent the violation of intellectual property rights, and quickly arranges countermeasures when violations are discovered.

(8) Operational Risk Management

As our business has expanded in recent years, the importance of operational risk management has increased as a significant component of overall risk management. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. As part of operational risk management, we are attempting to further strengthen our internal control and compliance functions.

Specific steps taken by us to strengthen internal control, and manage and reduce operational risk, include evaluation and monitoring of

risk by the Risk Management Headquarters, monitoring of administrative processes by the Internal Audit Department, and the implementation of technical administration measures performed by ORIX Computer Systems.

The Internal Audit Department monitors the effectiveness and efficiency and compliance with applicable rules and regulations by our various operations; the status of improvements to and compliance with our internal rules; and the status of self-evaluations based on an annual internal audit plan that focuses on material risks. As a result of monitoring, we evaluate the current status of internal controls and make improvements as necessary.

Additionally, for strengthening compliance functions, the Compliance Department has distributed to all employees in Japan and higher-ranking officers in its overseas subsidiaries a compliance manual. Each year, the department also plans and executes a “compliance program” encompassing such activities as those to identify and evaluate operational risks and other compliance risks, select the important risks, and take measures to reduce those risks. These measures increase awareness of compliance issues within the Group and also promote reforms such as those aimed at building more-effective compliance systems.

Regarding natural disaster risk, ORIX established Natural Disaster Risk Management Regulations in December 2005. ORIX has developed a system in which the Human Resources & Corporate Administration Headquarters supervises the coordination of recovery activities after the occurrence of a natural disaster in Japan, while the International Headquarters handles the overseas function. By distributing a natural disaster manual to its employees and carrying out disaster drills in accordance with these regulations, ORIX is improving its infrastructure by establishing an effective management system and maintaining a framework to respond appropriately to natural disaster risk.

(9) Risk Management of Individual Businesses

In addition to the risk management activities described above, we also seek to manage risk specific to our individual businesses, including those described below.

● Housing Loans

ORIX Trust and Banking specializes in providing three main types of housing loans: (i) housing loans for self-occupancy purposes; (ii) loans for the purchase of one-room condominium units for investment purposes; and (iii) loans for the purchase of rental apartment buildings.

ORIX Trust and Banking carries out a detailed examination of each potential client’s ability to repay in line with such client’s particular lifestyle after conducting an in-person interview. In addition, we evaluate relevant real estate market information and estimate cash flows to be derived from the real estate property and the value of the collateral.

When we make housing loans to individuals for the purchase of property for self-occupancy purposes, we place particular emphasis on the stability of the borrower’s disposable income and analyze the existence of other debts and expenses.

Borrowers of our housing loans provided for the purchase of single condominium units for investment purposes are primarily doctors, civil servants and managers from listed companies with relatively high salaries. We carry out stress tests on borrowers that have several properties to determine the extent to which the rental income can decline before they will be unable to make their payments.

Before we make a loan to finance the purchase of an apartment building, we perform a rental simulation to estimate vacancy rates based on the surrounding market, the impact of a rise in interest rates and expected future costs. Through this simulation, we evaluate the potential borrower’s ability to repay.

When a borrower has outstanding loans from us in excess of a specified amount, we conduct quarterly evaluations of the borrower’s

income and the occupancy rate of the borrower's rental units to evaluate the borrower's ability to repay. We also evaluate the value of the collateral underlying the loan. For loans that have gone into default, or for which there are concerns about the borrower's ability to repay, we evaluate the reason for the problem, the borrower's total liabilities and the income from the borrower's properties, and take measures that we deem appropriate for collection.

● Consumer Card Loans

ORIX Credit provides non-collateralized consumer card loans with limits of up to ¥5 million.

Based on extensive individual credit evaluation know-how, as well as a proprietary scoring system that is founded on a database accumulated over many years, we have created a unique credit evaluation model. We evaluate customer creditworthiness based on an analysis of customer attributes centered on income level as well as diverse other factors that may affect the borrower's ability to repay, such as past credit quality and other debt. Then we set the levels of interest rates and credit limits in line with each customer's credit risk.

Regarding card loan contracts, depending on customers' financial condition at the initial contract date, we obtain information from several consumer credit bureaus and undertake intermediate credit evaluations at regular intervals from three to twelve months to constantly monitor changes in the customers' financial condition.

Intermediate credit evaluations examine changes in customers' attributes and other debt, analyze the customers' repayment history with respect to ORIX Credit and other creditors. Moreover, particularly regarding customers with deteriorating credit, we provide counseling programs and through those programs work to gain a more detailed understanding of customers' situations.

Depending on the results of evaluations, we will take such necessary measures as those to discontinue supplementary loans or reduce credit limits, thereby endeavoring to continually control credit risk.

In response to requests for credit limit increases, we perform a credit limit increase investigation that is similar to intermediate credit evaluations and entails a confirmation of the customer's attributes, other debt, and repayment capability.

In addition to ongoing credit management regarding individual customers, we undertake portfolio credit risk management processes with respect to our overall card loan portfolio at regular intervals.

Specifically, we monitor trends in loan balances, delinquent payments, and uncollectible loans broken down by type of loan, customer attributes, customer credit status, and other characteristics. The results of this analysis are used to calculate the amount of risk capital required. We also regularly monitor trends in the external environment—such as trends in the numbers of personal bankruptcies and completely unemployed persons—and use that information to project future changes in credit risks with the goal of further increasing the overall appropriateness of our credit risk control systems.

● Life Insurance

ORIX Life Insurance's marketing channels fall into two main categories: the direct channel, in which customers request information and submit applications via the Internet, and the agency channel, in which policyholders are recruited by insurance agencies.

Because the direct channel entails handling such personal information as addresses and birth dates over the Internet, ORIX Life Insurance employs various methods to prevent information leaks, such as the use of secure socket layer-compatible ("SSL-compatible") website technology and page settings that prevent input data from remaining displayed on computer screens. Similarly, for the agency channel, ORIX Life Insurance sets rigorous standards that must be met by newly registered agencies and also conducts strict examinations of such new agencies. When new agencies are registered, their staff undergoes training courses focused primarily on compliance issues related to insurance soliciting. ORIX Life Insurance also regularly conducts

operational inspections of registered agencies that examine such situations as agency management and marketing staff management, and it provides its agencies with educational programs and guidance designed to promote appropriate marketing activities.

Before finalizing insurance contracts, ORIX Life Insurance endeavors to prevent the acceptance of fraudulent contracts by rigorously examining health condition declarations and medical examination reports as well as by taking steps to confirm associated marketing-related situations. These measures promote the fair and equitable treatment of policyholders and, because they are recognized to be important determinants of future insurance-related profitability, ORIX Life Insurance promotes their effective execution by creating systems designed with such objectives as ensuring the hiring of sufficient staff and encouraging staff to acquire specialized know-how.

Because insurance premiums received from customers are meant to support the payment of future insurance benefits, the statutorily specified levels of funds are accumulated in a policy reserve, and this reserve is regularly evaluated to confirm its sufficiency. Fund management operations are carried out with the goal of obtaining stable returns. Besides measures to appropriately disperse risks, ORIX Life Insurance regularly monitors credit risks, market risks, liquidity risks, and other kinds of risks, and its business systems call for risk monitoring reports to be presented to top management. In order to make insurance payments in an appropriate, accurate and timely manner when claims occur, ORIX Life Insurance recently strengthened their administrative and management structure, and enhanced the processing capacity of their computer system.

● United States

Our operations in the United States are involved in several business areas, including corporate finance, investment banking, and real estate-related businesses.

The following sections overview the risk management systems applied to corporate finance operations and real estate development and other investment and financing operations as well as the M&A, business valuation, and other operations of Houlihan Lokey.

● Investment and Finance

The organizational structure of the risk management function at each of our principal subsidiaries in the United States includes dedicated credit evaluation staff in the sales and marketing departments and independent risk management staff who manage portfolio and credit risks. Depending on the amount, credit approval limits for new transactions require in principle the joint approval of senior management of our subsidiaries in the United States, which include senior ORIX management stationed there, while transactions over a certain amount require approval of the ICC. In addition, we have a system of checks in place in which the details of overseas monitoring of individual transactions and portfolios are reported to our Risk Management Headquarters. For new transactions, we employ internal credit risk ratings as a method to continuously monitor individual transactions at the time of, and after, origination. Guidelines of credit ratings are set in accordance with the characteristics of the operations associated with each business. After a transaction has been completed, each unit is responsible for making proposals on changes in individual risk ratings. Specific reserves and provisioning requirements are determined at quarterly risk management review meetings. Results of these review meetings are reported to our CEO and the executive officer responsible for overseas activities.

● M&A and Financial Advisory

Houlihan Lokey has two committees that play important risk management roles; the Commitment Committee, which determines standards and procedures for undertaking such advisory projects as those related to M&A transactions, and the Opinion Committee, which considers and reviews business valuation and advisory opinion projects.