Corporate Governance and Risk Management

Management Team (As of June 23, 2009)

From left: Yoshiyuki Yamaya, Hirotaka Takeuchi, Haruyuki Urata, Yoshinori Yokoyama, Yoshihiko Miyauchi, Paul Sheard, Yukio Yanase, Takeshi Sasaki, Hiroaki Nishina, Teruo Ozaki, Kazuo Kojima

Directors
Yoshihiko Miyauchi
Yukio Yanase
Hiroaki Nishina
Haruyuki Urata
Kazuo Kojima
Yoshiyuki Yamaya
Yoshinori Yokoyama
Paul Sheard
Hirotaka Takeuchi
Takeshi Sasaki
Teruo Ozaki

Executive Officers
Yoshihiko Miyauchi
Representative Executive Officer, Chairman and Chief Executive Officer

Yukio Yanase
Representative Executive Officer, President and Chief Operating Officer

Hiroaki Nishina
Deputy President
Group Corporate Sales Administrative Headquarters
Domestic Sales Administrative Headquarters
Group Osaka Representative
Chairman, ORIX Real Estate Corporation
Chairman, ORIX Alpha Corporation

Haruyuki Urata
Deputy President and Chief Financial Officer
Office of the President
Corporate Planning and Financial Control Headquarters

Yoshinori Yokoyama
Chairman, ORIX Real Estate Corporation

Paul Sheard
Chairman, ORIX Alpha Corporation

Hirotaka Takeuchi
Officer of the President

Takeshi Sasaki

Teruo Ozaki

Kazuo Kojima
Corporate Executive Vice President
Investment Banking Headquarters
Securitization and Capital Markets Office
President, ORIX Capital Corporation

Yoshiyuki Yamaya
Corporate Executive Vice President
Real Estate Headquarters
President, ORIX Real Estate Corporation

Committees
Board of Directors
(5 Outside Directors / 6 Internal Directors)

<table>
<thead>
<tr>
<th>Nominating Committee (5 members)</th>
<th>Audit Committee (4 members)</th>
<th>Compensation Committee (4 members)</th>
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<tbody>
<tr>
<td>Hirotaka Takeuchi* Outside Director</td>
<td>Teruo Ozaki* Outside Director</td>
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<tr>
<td>Yoshinori Yokoyama Outside Director</td>
<td>Yoshinori Yokoyama Outside Director</td>
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<tr>
<td>Paul Sheard Outside Director</td>
<td>Hirotaka Takeuchi Outside Director</td>
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<td>Takeshi Sasaki Outside Director</td>
<td>Takeshi Sasaki Outside Director</td>
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<tr>
<td>Teruo Ozaki Outside Director +Chairman</td>
<td>Teruo Ozaki Outside Director</td>
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* Outside Director
Introduction of ORIX Outside Directors

Yoshinori Yokoyama
Chairman of the Compensation Committee
Director, Sumitomo Mitsui Financial Group, Inc.
Director, Sumitomo Mitsui Banking Corporation

Yoshinori Yokoyama obtained an MBA from the Sloan School of Management at MIT in 1975 and joined McKinsey & Company, Inc where he served as Director from 1987 to 2002. Yokoyama also served as Senior Fellow at the Research Institute of Economy, Trade and Industry, AIJ from 2002 to 2004. Yokoyama first became a member of ORIX Corporation’s Advisory Board in 1997 before becoming a Director in June 2002. He has a wealth of experience and knowledge as a business consultant, and is independent from the management engaged in operations. As Chairman of the Compensation Committee, he currently contributes to the Company by leading discussions and deliberations on compensation structures and compensation levels for directors and executive officers which are designated to enhance incentives for mid to long term growth.

Paul Sheard
Managing Director & Global Chief Economist and Head of Economic Research Department at Nomura Securities International, Inc.

After obtaining a PhD from the Australian National University, Paul Sheard took a faculty position at the Australian National University and joined the faculty of Osaka University. In January 1995, he went from the academic to financial arena and joined Baring Asset Management as the Strategist of the Japan Investment Team and was promoted to the position of Head. Sheard joined Lehman Brothers, Inc. Tokyo as managing Director and Chief Economist in September 2000. He was appointed Global Chief Economist of Lehman Brothers, Inc. in April 2006. He became a Managing Director, Economics Research of Barclays Capital before joining Nomura Securities International, Inc. in November 2008. He also served as visiting fellow at Stanford University and the Institute for Monetary and Economic Studies, Bank of Japan.

Sheard was appointed Outside Director of ORIX Corporation in June 2003. At the meetings of the Board of Directors and the Nominating Committee, he contributes to the Company by participating suitably in discussions and deliberations, based on a wealth of experience as an economist and in-depth knowledge of the environment and the events surrounding company management in and outside of Japan.

Hirotaka Takeuchi
Chairman of the Nominating Committee
Dean, Hitotsubashi University Graduate School of International Corporate Strategy
Director, Trend Micro, Inc.
Director, Integral Corporation

Hirotaka Takeuchi joined McCann-Erickson Advertising Co., Ltd. in 1969, before taking a position as Research Assistant at the Graduate School of Business Administration at the University of California, Berkeley in 1972. He became a Lecturer and an Assistant Professor at the Graduate School of Business Administration at Harvard University. In 1987, he became Professor at Hitotsubashi University’s School of Commerce. He has held his present position as Dean at the Graduate School of International Corporate Strategy since 1998.

Takeuchi became a Corporate Auditor of ORIX Corporation in June 2000, resigned in June 2003, and was then appointed Outside Director in June 2004. As Chairman of the Nominating Committee, he currently contributes to the Company by leading discussions and deliberations on members of the Board of Directors and executive officers suitable for the Company’s business operations. In the discussions of the Board of Directors and Audit Committee, he has given his comments from the viewpoint of corporate culture succession and sustainable growth as an expert in corporate strategies.

Takeshi Sasaki
Professor, Gakushuin University, Faculty of Law, Department of Political Studies
Director, East Japan Railway Company
Director, Toshiba Corporation

Takeshi Sasaki became a research assistant at The University of Tokyo Faculty of Law in 1965 after graduating from the same faculty and held several positions within the university until he was appointed president in April 2001 where he presided until March 2005. He became a member of the Board of Councilors for the National Institution for Academic Degrees and University Evaluation in July 2001 where he served until March 2006. In June 2003, Sasaki was also appointed Chairman of The Japan Association of National Universities. In December 2004, Sasaki was selected as a member of The Advisory Council on the Imperial House Law.

Sasaki was made an advisor to ORIX Corporation in July 2005 and was appointed Outside Director in June 2006. He has a wealth of experience in university reform, and is knowledgeable in a wide range of issues in politics and society in general that affect the company’s management. He contributes to the Company by pointing out essential issues, from the viewpoint of principles in corporate management and the decision making process, at discussions and deliberations concerning major issues of the Company management at the meetings of the Board of Directors and each Committee.

Teruo Ozaki
Chairman of the Audit Committee
Head, Certified Public Accountant, Teruo Ozaki & Co.
Corporate Auditor, Kirin Holdings Company, Ltd.
Corporate Auditor, Tokai Rubber Industries, Ltd.
Director, The Bank of Tokyo-Mitsubishi UFJ Ltd.
Director, Daikyo Inc.


Ozaki was made an advisor to ORIX’s Audit Committee in August 2004 and was appointed Outside Director in June 2006. He has a wealth of experience as a certified public accountant and in-depth knowledge as a financial expert required under the U.S. Sarbanes-Oxley Act (“SOX Act”). As Chairman of Audit Committee, he currently contributes to the Company by receiving periodic reports from the Company’s internal audit unit as well as directly conducting hearings as appropriate of those in charge of major business units regarding risk management methods and the progress of new business. He also contributed to the Company by leading discussions and deliberations on the effectiveness of the Company’s internal control system.
Corporate Governance

1. Basic Corporate Governance Policy
ORIX considers corporate governance to be important to enable the promotion of business activities in line with its management policy. While examining best practices in Japan and worldwide, ORIX aims to construct a corporate governance system with a high degree of transparency.

2. Strengthening Corporate Governance
(1) Progress in Strengthening Corporate Governance

Since the June 1997 establishment of an Advisory Board, which included experienced and resourceful individuals from outside the Company, ORIX has strengthened its corporate governance framework with the aim of objectively determining whether its business activities are emphasizing the interests of its shareholders.

In June 1998, ORIX introduced a Corporate Executive Officer system to help separate strategic decision-making functions from day-to-day administrative operations. In June 1999, ORIX reduced the number of members on its Board of Directors, arranged for three Advisory Board members to fill two positions as independent directors and one position as an advisor to the Board, and phased out the Advisory Board. In addition, the Nominating Committee and the Compensation Committee were established to operate as support units for the Board of Directors.

To ensure the more effective separation and speedy execution of the decision-making and monitoring functions of the Board of Directors and the executive function of management, ORIX adopted a “Company with Committees” board model in June 2003, following the April 2003 implementation of revisions to the former Commercial Code of Japan that permitted this model. In line with the new board model, Nominating, Audit, and Compensation committees were set up. When the Company Law took effect on May 1, 2006, ORIX became a company with a revised "Company with Committees" board model under that law.

All five seats on the Nominating Committee have been filled by outside directors since June 2007. As a result, all three committees—including the Nominating, Audit, and Compensation committees—are now composed entirely of outside directors. ORIX believes that changing the membership composition in this manner will promote increased management transparency and objectivity.

(2) Corporate Governance System

The Corporate Governance System after the June 23, 2009 General Meeting of Shareholders is as follows.

Business Execution Bodies

Board of Directors: The Board of Directors makes decisions regarding items that cannot, under legislation and the Articles of Incorporation, be delegated to executive officers, as well as items stipulated by Regulations of the Board of Directors as important to ORIX. The Board of Directors is responsible for approving and monitoring on a regular basis ORIX’s policies which includes corporate planning such as capital management, fund procurement and personnel strategies. Aside from such items, the Board of Directors delegates decision making regarding
operational execution to Representative Executive Officers. The Board of Directors also receives reports from executive officers and committees regarding the status of business execution.

From April 1, 2008 through March 31, 2009, the Board of Directors met ten times. The attendance rate of directors for these meetings was 99%.

The Board of Directors includes 11 members, five of whom are outside directors.

**Executive Officers:** Certain important business execution decisions specified by internal rules are made by Representative Executive Officers based on deliberations of the Investment and Credit Committee and other groups. The executive officers execute operations in accordance with the decisions of the Board of Directors, the business execution decisions of the Representative Executive Officers, and various internal rules. The following units handle important decision-making processes, monitoring, discussion, and information sharing related to operational execution.

### Investment and Credit Committee

Top management and the executive officer responsible for investment and credit participate on the Investment and Credit Committee. The committee meets, in principle, three times per month to deliberate and make decisions primarily regarding investment and credit over specified amounts, important management issues, and items delegated to executive officers by the Board of Directors. The importance of decisions made by the committee is carefully considered, and reported to the Board of Directors as necessary.

### Group Executive Officer Meetings

Executive officers of ORIX and group executives attend this monthly meeting to share important information regarding the execution of ORIX Group business.

### Monthly Strategy Meetings

The monthly strategy meeting is a forum for top management and managers from parent company departments and group companies to deliberate regarding the degree to which department strategies have been reached, as well as regarding changes in the business climate.

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**Compensation of Directors and Executive Officers during Fiscal 2009**

<table>
<thead>
<tr>
<th>Directors (Outside Directors)</th>
<th>Executive Officers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of people</td>
<td>Amount paid (Millions of yen)</td>
<td>Number of people</td>
</tr>
<tr>
<td>Fixed compensation</td>
<td>5 (5)</td>
<td>59 (59)</td>
</tr>
<tr>
<td>Performance-linked compensation</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>—</td>
<td>59</td>
</tr>
</tbody>
</table>

**Notes:**
1. During fiscal 2009, 4 executive officers were newly appointed and 9 executive officers retired, for a total of 11 directors and 19 executive officers as of March 31, 2009. Figures for the number of officers remunerated and the remuneration amount include figures for the 9 executive officers who retired during fiscal 2009 (of the 2 persons serving concurrently as director and executive officer, 1 remains as a director).
2. Regarding the 7 persons serving concurrently as directors and executive officers, the total remuneration figure is shown in the executive officer column/line.
3. Corporate performance-linked remuneration, based on a February 9, 2009 decision of the Compensation Committee, has not been paid.
4. In addition to the previous figures, the following payments are made.
   a. Payments under the stock compensation system
      (1) Stock compensation values are determined by points that are assigned to each executive officer based on internally determined standards. The compensation value paid at the time of retirement is calculated by multiplying the stock price on the retirement date by the number of accumulated points. This system requires the post-tax value of compensation paid to be used to purchase ORIX stock at the market price on the retirement date.
      (2) During fiscal 2009, provisions calculated according to Japanese accounting standards were made for points accumulated since the system was implemented, in the amount of ¥7 million for 5 outside directors and ¥225 million for 23 executive officers. The provisions are re-calculated each year, based on the share price as of the end of each fiscal year.
      (3) For the 7 executive officers (including 2 persons serving concurrently as director and executive officer) who retired during fiscal 2009 or before the General Meeting of Shareholders held on June 23, 2009 stock compensation values in accordance with the number of points accumulated during the stock compensation period system was ¥209 million.
   b. The Company provides stock options in the form of stock acquisition rights. During fiscal 2009, the value of such rights for 5 outside directors and 23 executive officers was ¥18 million and ¥225 million, respectively, accounted for as expenses based on Japanese accounting standards.
5. Compensation of Group executives for fiscal year 2009 was determined based on the Company’s executive officer compensation policies, and total fixed compensation and performance-linked compensation amounted to ¥215 million for 12 Group executives. Other than the previous figures, the following payments were made.
   a. Payments under the stock compensation system
      (1) During fiscal 2009, provisions calculated according to Japanese accounting standards were made for points accumulated since the system was implemented, in the amount of ¥38 million for 12 Group executives.
      (2) For 1 Group executive who retired during fiscal 2009, ¥4 million was paid as stock compensation in accordance with the number of points accumulated during the stock compensation period.
   b. The Company provides stock options in the form of stock acquisition rights. During fiscal 2009, the value of such rights was ¥42 million for 8 Group executives, accounted for as expenses based on Japanese accounting standards.
6. Figures shown are rounded downward by discarding figures of less than ¥1 million.
meetings are held in principle monthly depending on the nature of the business. Matters of key importance are decided by the ICC and reported to the Board of Directors as necessary.

Management Information Committee
Top management and the executive officer responsible for information technology (IT) systems attend this meeting, held in principle once each month, to deliberate and approve important matters concerning basic policies for IT operations and IT systems. This committee handles issues including the necessity and prioritization of investment in IT systems at the senior management level. As a result, it secures the consistency of business strategy and works to ensure that investment in systems contributes to business growth and reduction of risk.

Disclosure Committee
ORIX believes that disclosure control occupies an important position within the overall scheme of corporate governance. ORIX has set up an information disclosure system with the Disclosure Committee playing a central role in facilitating the appropriate and timely disclosure of information to investors.

The Disclosure Committee, which plays a key role in ORIX’s disclosure control, is chaired by the CFO and consists of the executive officers in charge of various departments, including: The Corporate Planning and Financial Control Headquarters, Risk Management Headquarters, Legal and Compliance Department, Human Resources and Corporate Administration Headquarters, the Office of the President and the Internal Audit Department. Upon receiving material information from an executive officer of ORIX, or the person in charge of an ORIX company department, the committee discusses whether or not any timely disclosure is necessary, and takes steps to provide appropriate disclosure of such information.

Decision-Making Functions for Nominating, Audit, and Compensation Issues
Nominating Committee: The Nominating Committee is authorized to propose director appointments or dismissals to be submitted to the Annual General Meeting of Shareholders. Directors are elected from a list of candidates at the Annual General Meeting of Shareholders. In addition, the Nominating Committee deliberates on the appointment or dismissal of executive officers and Group executives, although this is not required under the Company Law.

From April 1, 2008 through March 31, 2009, the Nominating Committee met eight times. The attendance rate of these meetings was 95%.

Following the Annual General Meeting of Shareholders held on June 23, 2009, the Nominating Committee’s five members have included Hirotaka Takeuchi (Chairman), Yosinori Yokoyama, Paul Sheard, Takeshi Sasaki, and Teruo Ozaki. All five members are outside directors.

The Nominating Committee determines whether the conditions necessary for director independence have been met based on its appointment criteria for directors. Presently, all outside directors meet the necessary conditions which are as follows.

Conditions for Director Independence

- The individual and his or her family members* are not currently receiving from ORIX or its subsidiaries large amounts of compensation (¥10 million or more per year; however, this excludes the employee salaries of family members).
- The individual and his or her family members* are not major ORIX shareholders (holding 10% or more of total outstanding shares) or representatives of major ORIX shareholders.
- The individual is not an executive officer, etc., or employee of ORIX or its subsidiaries. The individual’s family members* are not an executive officer, etc., of ORIX or its subsidiaries. If the individual or his or her family members* were previously in such positions, then a period of five years or more has passed since the relevant person retired from the positions.
- Between the company for which the individual is serving as executive officer, etc., and ORIX, there is not a concurrent directorship relationship, defined as a relationship in which the company for which the individual is serving as executive officer, etc., has a director that is also an executive officer, etc., of ORIX or its subsidiaries.
- There must be no material conflict of interest or any possible conflict of interest that might influence the individual’s judgment in performing their duties as an outside director.

* Family members are defined as including blood or legal relationships as close as or closer than those between spouses, and between children and parents and also defined as including other relatives living in the same residence as the individual.

Audit Committee: The Audit Committee supervises the execution of duties by directors and executive officers, and creates auditing reports. The Audit Committee also determines the content of proposals for submission to the Annual General Meeting of Shareholders regarding the selection, dismissal, and recommendations to not reappoint independent public accountants. ORIX has established the Audit Committee Secretariat to assist the Audit Committee with the execution of its duties.

The Audit Committee decides the person responsible in each department who will report to the Audit Committee, and evaluates the administration of executive officers and internal controls of the Company by considering the following five points: First, the Audit Committee confirms the report related to results of the audit and items indicated for improvement prepared by the executive officer responsible for the corporate audit. Second, the Audit Committee
engages in discussions, which are the basis of ORIX’s business strategy, after explanations from the heads of each business department and presidents of Group companies that focus, in particular, on risk control. Third, the Audit Committee confirms the business environment through reports, from the executive officer responsible for the accounting department, which covers the revenue composition of each department and any problem areas related to the business. Fourth, the Audit Committee confirms the quarterly reports regarding the direction of the Company and the execution of important business matters from the representative executive officer. Fifth, the Audit Committee confirms the reports from the public accounting firm regarding whether there are any material items relating to the audit. The Audit Committee met eight times from April 1, 2007 through March 31, 2008. The attendance rate of these meetings was 88%. Following the Annual General Meeting of Shareholders held on June 23, 2009, the Compensation Committee’s four members have included Yoshinori Yokoyama (Chairman), Hirotaka Takeuchi, Takeshi Sasaki. All four members are outside directors.

Compensation Committee: The Compensation Committee determines policies regarding the compensation of individual directors and executive officers, as well as the monetary remuneration, etc., of each individual director and executive officer. The Compensation Committee has determined the following policies.

Policies for Determining Compensation of Directors and Executive Officers

ORIX’s business objective is to increase shareholder value over the medium and long term. ORIX believes in each director and executive officer responsibly performing his duties and in the importance of cooperation among different business units to achieve continued growth. The Compensation Committee at ORIX believes that to accomplish such business objectives, directors and executive officers should place emphasis not only on performance during recent fiscal years, but also on medium- to long-term results.

Accordingly, under the basic policy that compensation should provide effective incentives, ORIX takes such factors into account when making decisions regarding the compensation system and compensation levels for its directors and executive officers.

In line with this basic policy, the following policies regarding the compensation of directors and executive officers have been adopted.

1) Compensation Policy for Directors: The compensation policy for directors who are not also executive officers aims for a level and composition of compensation that is effective in maintaining supervisory and oversight functions of business operations, which is the main duty of directors.

Specifically, while aiming to maintain competitive compensation standards, ORIX’s compensation structure consists of a fixed compensation component, based on duties performed, a shares component of compensation*, and stock options.

2) Compensation Policy for Executive Officers: The compensation policy for executive officers including those who are also directors aims for a level of compensation that is effective in maintaining business operation functions while incorporating in its composition a component that is linked to the current period business performance.

Specifically, while aiming to maintain competitive compensation standards, ORIX’s compensation structure consists of a fixed component based on positions and duties performed, a performance-linked component, a shares component of compensation as described above, and stock options.

* Stock compensation values are determined by points that are assigned to each executive officer based on internally determined standards. The compensation value paid at the time of retirement is calculated by multiplying the stock price on the retirement date by the number of accumulated points. This system requires the post-tax value of compensation paid to be used to purchase ORIX stock at the market price on the retirement date.

The Compensation Committee met eight times from April 1, 2007 through March 31, 2008. The attendance rate of these meetings was 88%.

Following the Annual General Meeting of Shareholders held on June 23, 2009, the Compensation Committee’s four members have included Yoshinori Yokoyama (Chairman), Hirotaka Takeuchi, Takeshi Sasaki, and Teruo Ozaki. All four members are outside directors.


ORIX does not currently have a fundamental policy with regard to measures in response to shareholders with sufficient voting rights to give them control over corporate management. Moreover, ORIX has not recently introduced defensive measures designed to control the acquisition of its stock. The Company plans to proceed with prudent consideration of this issue in light of changes in relevant laws and regulations and in the operating environment, with the intent of taking related measures, if necessary.

4. Internal Control System

ORIX’s internal control system was constructed over a considerable period of time, with risk management policies, frameworks, and other rules and structures put in place for sound Company management. Since it was first established, ORIX has been managed on a consolidated basis, leading ORIX to construct an integrated internal control system.

Moreover, since the March 2007 enactment of Article 404 of the Sarbanes-Oxley Act (U.S. Corporate Reform Law) regarding internal control systems related to financial disclosure, ORIX has employed and advanced the development of an internal control system under the
framework for internal control proposed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Structural components of an internal control system under the COSO framework include the three goals of internal control; effective and efficient operations, reliable financial reporting, and legal compliance, and five components; control environment, risk assessment, control activities, information and communication, and monitoring. ORIX aims to establish and implement a sophisticated and efficient internal control system that achieves these three goals simultaneously.

Additionally, it is vital to continually improve the internal control system in line with the diversification of ORIX's capabilities and increase in size of operation. Moving forward ORIX plans to respond appropriately and continue to improve the internal control system.

The New York Stock Exchange Corporate Governance Listing Standards

ORIX's ADRs have been listed on the New York Stock Exchange (NYSE) since 1998. ORIX is therefore required to comply with the NYSE's new corporate governance listing standards, Section 303A.11, approved by the SEC in November 2003.

However, as a foreign issuer, ORIX is not required to follow several of the NYSE listing standards. ORIX's corporate governance practices differ in certain significant respects from those that U.S. companies must adopt to maintain a NYSE listing and, in accordance with Section 303A.11 of the NYSE's Listed Company Manual, ORIX provides a brief, general summary of such differences.

The composition of ORIX's Board of Directors and committees of ORIX's Board differs significantly in terms of independence from the composition requirements for boards and committees that U.S. companies must satisfy to maintain a NYSE listing. ORIX is not required to meet the NYSE's independence requirements for individuals on its Board of Directors or its Nominating, Audit, and Compensation committees. Under Japanese law, a majority of the membership on ORIX's committees must be "outside directors" — a Japanese legal concept that shares similarities with the U.S. concept of "independent director." However, ORIX is not required to include on its Board of Directors a majority of outside directors, nor is it required to compose its committees exclusively from outside directors.

Five of ORIX's 11 directors are considered outside directors. Under the Commercial Code of Japan, an outside director is a director (i) who does not execute the company's business, (ii) who has not before executed the business of the company or its subsidiaries in the capacity of director, executive officer (shikkou-yaku), manager, or employee, and (iii) who does not execute the business of any subsidiary of the company in the capacity of director or executive officer of such subsidiary or in the capacity of manager or any other employee of the company or any of its subsidiaries.

In addition to differences in composition requirements for ORIX's Board, ORIX is not required to:
• Make publicly available one or more documents that summarize all aspects of its corporate governance guidelines or prepare a written code that states the objectives, responsibilities, and performance evaluation criteria of Nominating, Audit and Compensation Committees in a manner that satisfies the NYSE's requirements or
• Adopt a code of business conduct and ethics for its directors, officers, and employees that addresses fully the topics necessary to satisfy the NYSE's requirements.

ORIX Awarded 2008 Disclosure Award by the TSE

ORIX has been awarded the 2008 Disclosure Award by the Tokyo Stock Exchange.

The Tokyo Stock Exchange presents this award each year to listed companies with a proactive approach to disclosure, including timely and adequate disclosure of corporate information to investors in an easy-to-understand manner.

ORIX received high ratings in the following areas: 1) Comprehensive quarterly financial statements including detailed performance, segment analysis and financial data; 2) Analysis of operating results in the annual report; 3) Japanese and English website content including 5-year financial data and video content.

ORIX is striving to increase its management transparency and provide fair disclosure along with upholding its accountability to the market for a fair assessment of its corporate value. ORIX has also placed importance on enhancing its segment information as it has expanded its operations into various fields.

ORIX is aware of the significance of receiving this award during the current market volatility, and strives to continue to improve corporate value by providing information pertinent for shareholders and the investment community at large.

Left: Atsushi Saito, President of Tokyo Stock Exchange Group, Inc.
Right: Yukio Yanase, COO
ORIX’s Enterprise Risk Management

ORIX believes that an enterprise risk management system that is responsive to changes in the business environment and to the diversification of ORIX’s businesses is essential for the optimal allocation of management resources. For this purpose, ORIX seeks to achieve management goals by implementing comprehensive and timely enterprise risk management policies that cover areas including capital management, individual business risk management, fund procurement and personnel strategies.

1. Systems and Functions Supporting Enterprise Risk Management

Within ORIX’s enterprise risk management system, the Board of Directors, executive committees and specialized departments all play important roles. The people in charge of each business unit are also responsible for controlling risk.

The Board of Directors is responsible for approving and monitoring on a regular basis ORIX’s policies which includes corporate planning such as capital management, fund procurement and personnel strategies. In addition, the Audit Committee discusses and evaluates the status of ORIX’s risk controls.

Executive committee meetings include the Investment and Credit Committee (“ICC”), Group Executive Officer Meetings, Monthly Strategy Meetings, and the Information Technology Management Committee. ORIX’s senior management emphasizes the importance of frequent and effective meetings related to risk management.

ICC meetings are attended by senior management, including the CEO, COO, CFO and the executive officer in charge of investment and credit. The ICC generally meets on average three times a month, primarily to deliberate on and make decisions regarding transactions that exceed specified investment and credit amounts and to discuss important issues that arise in the execution of business. The Committee evaluates risk and profitability and approves proposed transactions according to these characteristics.

Group Executive Officer Meetings are attended by ORIX’s executive officers and group executives, who share important information regarding the status of strategies and management resources at the company-wide level, and regarding the execution of ORIX’s business.
Monthly Strategy Meetings include meetings between top management and the individuals in charge of individual departments and business units to discuss matters such as the state of achievement of strategic targets and changes in the business environment. Meetings are held on a regular basis depending on the nature of the business. Matters of key importance to be deliberated on at Monthly Strategy Meetings are decided by the ICC and reported to the Board of Directors as necessary.

The Information Technology Management Committee is held in principle once each month and attended by the CEO, COO, CFO, CIO and other related executive officers to deliberate matters concerning basic IT policies and strategies, system implementation and maintenance for Group operations.

In addition to these executive committee meetings, specialized groups including the Corporate Planning and Financial Control Headquarters, Risk Management Headquarters, Legal and Compliance Department, Human Resources and Corporate Administration Headquarters, the Office of the President, and IT Planning Office also perform oversight functions with a cross-departmental perspective. These specialized groups periodically exchange information, discussing the priority of and response to cases requiring attention. They also share information regarding risk management and division of responsibilities, and check the progress of cases.

2. Enterprise Risk Management Framework

At ORIX, capital is allocated to each business unit, taking into account the department’s degree of risk in addition to company-wide risk preference policies based on future strategies. The cost of the allocated capital is used in evaluation of ORIX’s business portfolio. Through this process, ORIX can maintain a current understanding of the sufficiency of ORIX’s capital, and allocate more resources to business units with the best growth potential, taking into account the internal and external business climate and competitive environment.

Top management regularly reviews risks in each business unit to evaluate the risk situation and any deviation from the original asset and profit plans, and to evaluate the business unit’s profitability with respect to its allocated capital. Management also compares shareholders’ equity with risk in the group overall, and takes the results into account when considering the capital management policy.

ORIX, in addition to the departmental monitoring described above, also monitors on an individual transaction and total portfolio basis.

For individual transactions, the operating environment, strategy, risk and profitability are evaluated prior to the transaction, and changes to the operating environment and cash flow are monitored after execution. For new transactions requiring monitoring, transactions exceeding a certain monetary amount or transactions for which there has been a major change in circumstance or strategy, the responsible manager, department head, may, in his discretion, report the transaction to the appropriate executive committee.

In analyzing a total portfolio, the following characteristics are monitored: client tier, region, transaction type, risk type, debt status and concentration of major debtors. Some of these are scrutinized and analyzed by each operating department according to its industry characteristics and some are analyzed from a group perspective by the Risk Management Headquarters. Monitoring results are regularly reported to the executive committee. Measures are taken to rapidly understand and minimize all types of risk.

3. Main Risk Management

ORIX views credit risk, market risk, business risk, risk related to fund procurement, legal risk and other operational risk as the main risks facing ORIX. Each risk is being managed according to its individual characteristics.

(1) Credit Risk Management

ORIX defines credit risk as uncertainty in future investment recovery caused by the fluctuation of cash flow from debtors and investees. As ORIX’s main business is financial service, ORIX manages credit risks in almost all business segments, including the Corporate Financial Service segment, the Investment Banking segment and the Overseas Business segment.

Credit Risk Management mainly consists of (i) credit evaluation for each transaction, (ii) portfolio management and (iii) implementation of corrective actions for the management of problem assets.

ORIX emphasizes credit evaluation at the beginning of each transaction as well as continuous risk monitoring of individual credit after the transaction has been made, sufficiency of collaterals and guarantees, liquidation of debt and the distribution of debtors and their business fields. Monitoring in the aggregate is important, as risks associated with individual debtors are high.

In connection with each credit transaction, the relevant sales and marketing department and the Risk Management Headquarters each perform a comprehensive customer credit evaluation based on the relevant customer’s business performance, financial position and projected cash flow. The evaluation also covers the collateral or guarantees, terms and conditions and potential profitability of the transaction. The profitability is based on the corporate value contribution spread (calculated from investment yield, default rates, preservation situation, funding cost, capital cost and administrative cost), which helps ORIX to evaluate risk quantitatively.

Regular evaluation of individual debtors, and of ORIX’s comprehensive portfolio, as well as measures to set limits to credit lines, allow ORIX to control exposures to the markets with potentially high risks.
ORIX identifies 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. Under the current business environment, corrective actions for the management of problem assets is the most important task, and ORIX responds promptly based on various conditions of each transaction.

In making collections, ORIX believes an early response is extremely important. When information is received regarding the emergence of problem assets, the relevant sales and marketing departments, in cooperation with the Risk Management Headquarters, take steps to secure collateral or other guarantees and to begin the collection process. The Risk Management Headquarters plays an important role in the collection process by drawing on its accumulated experience in collections and by working closely with ORIX’s sales and marketing departments. The accumulated experience is reflected in ORIX’s evaluation criteria of each credit transaction and portfolio analysis.

(2) Market Risk Management

ORIX defines market risk as the risks of negative impact on ORIX’s portfolio or on the market value of ORIX’s financial assets caused by variation in market conditions, such as interest rates, exchange rates, stock prices, product prices or credit spreads. For further discussion regarding ORIX’s interest rate risks and exchange rate risks related to fund procurement, please see "Risk Management Relating to Fund Procurement-Interest Rate Risk and Exchange Rate Risk Management” below.

ORIX manages market risks in the following segments:

1. Investment Banking Segment: Private equity investment, venture capital investment, proprietary investment;

2. Retail Segment: Price fluctuations in operating assets in ORIX’s life insurance business; and


ORIX monitors risks in its portfolio by quantifying risks based on market fluctuations and defining acceptable levels of risks. The risks are quantified based on statistical methods, qualitative scenario analyses, stress tests and sensitivity analyses.

As non-trading assets are mainly impacted by credit risk, ORIX sets appropriate market risk parameters based on types of assets or on specific business portfolios and evaluate the impact of market fluctuation.

In connection with investments in securities by ORIX Life Insurance in Japan and ORIX USA in the United States, ORIX’s investment departments regularly monitor interest rate policies, economic conditions and securities and financial market trends. ORIX also analyzes on a daily basis price movements of securities, profits and losses on each investment and financial conditions of companies in which ORIX invests, as well as other factors. ORIX’s risk management departments review and compare daily reports against internal guidelines and macro-and microeconomic conditions.

(3) Business Risk Management

Various risks are inherent to ORIX’s daily business, such as the risks associated with ORIX’s judgment in ORIX’s investments, ORIX’s selection of new product development and ORIX’s competitors’ marketing strategies or pricing. ORIX defines business risk as risks related to entry into the market, uncertainty of future business performance caused by changes in business environment and market fluctuation risks in used car market and the real estate market.

ORIX monitors the scenario analyses and stress tests for each of ORIX’s business risks. The evaluation and verification of the cost of withdrawal from a business is also subject to monitoring.

ORIX manages market risks in the Maintenance Lease segment and the Real Estate segment. A principal risk relating to operating leases in the Maintenance Lease segment is the risk of fluctuation in the residual value of the leased property. In order to control fluctuations in residual value, ORIX monitors its inventories of leased items, market environments and the overall business environment.

ORIX primarily limits its ship and aircraft operating leases to general-purpose ships and aircraft that are comparatively easy to release, as these operating lease items have high residual value risks.

ORIX monitors the market values of these ships and aircraft and sells assets as necessary or desirable to reduce its exposure to downward trends in the market or take advantage of upward trends.

The automobile industry has a well-established market for used cars, so most of ORIX’s vehicles are able to be sold. ORIX keeps current on trends in the used car market by continuously monitoring the ratio of residual value to purchase cost, selling price trends and other indicators, thereby adjusting estimated residual value in new transactions.

(4) Risk Management Relating to Fund Procurement

ORIX views liquidity risks, interest rate risks and exchange rate risks as significant risks associated with fund procurement. ORIX establishes asset-liability management (ALM) rules so that ORIX can maintain an accurate understanding of these risks and respond to them appropriately. The risk management situation is understood and the major perspectives are analyzed by the Corporate Planning and Financial Control Headquarters, which reports the results to the CFO and Executive Officers, in accordance with the ALM rules above mentioned, and takes necessary actions.
1) Liquidity Risk Management

Liquidity risk is the risk that ORIX will be unable to obtain the necessary funds to meet its commitments and obligations, or be forced to procure funds at unusually high interest rates, due to market turmoil or deterioration in ORIX’s financial condition. The important objective of ORIX’s liquidity risk management is to create a liquidity structure that matches asset size and structure to ORIX’s management goals. In order to achieve this, ORIX places emphasis on maintaining high flexibility in its balance sheet. At the same time, ORIX seeks to diversify funding sources to reduce refinancing risks, which may be caused by large market fluctuations.

Specifically, ORIX monitors liquidity by projecting future cash flow from the maturity of assets and liabilities, conducting liquidity risk analysis including future trends and assuming such stresses as financial market turmoil and a reduction of ORIX’s credit ratings. Measures ORIX uses to manage liquidity risk include diversifying funding sources, establishing committed credit lines with financial institutions and adjusting the balance of short-term and long-term debt, taking into account prevailing market conditions.

2) Interest Rate Risk and Exchange Rate Risk Management

ORIX takes various measures to properly understand and manage the interest rate risk and exchange rate risk associated with assets and liabilities. In accordance with the ALM rules, policies for ALM are set by the ICC every six months, and reports on the present status of ORIX’s risk profile based on the ALM policies and future responses are made at the Group Executive Officer meetings.

Interest rate risk represents ORIX’s exposure to assets and liabilities whose values fluctuate with interest rates. For example, ORIX may incur a loss if the fair value of its assets and liabilities declines due to a change in interest rates, or earnings may decline if an increase in interest rates causes interest expenses to increase by an amount greater than the increase in interest received. ORIX analyzes these risks from a variety of perspectives, including basis point value (BPV), slope point value (SPV), value at risk (VaR), as well as the effect on income for a given period. After making quantitative and qualitative assessments of interest rate risk, ORIX manages its business to keep the overall amount of interest rate risk within a fixed range.

ORIX manages exchange rate risk by using foreign currency loans, foreign exchange contracts, currency swaps and other instruments to hedge the exchange rate fluctuation risks that arise in connection with ORIX’s business transactions in foreign currencies and overseas investments. For unhedged foreign currency-denominated assets and investments to overseas subsidiaries, ORIX monitors and manages exchange rate risks by following the same ALM rules used in managing interest rate risks, in addition to utilizing VaR and other metrics.

3) Derivative Risk Management

ORIX may use derivatives as hedges if ORIX decides to hedge interest rate risk and exchange rate risk after consulting ORIX’s ALM rules. ORIX uses derivatives to mitigate or offset changes in cash flow or the fair value of assets and liabilities due to interest rate fluctuations. Derivatives used to hedge interest rate risk include interest rate swaps and caps. To hedge exchange rate risk accompanying ORIX’s business transactions in foreign currencies and overseas investments, ORIX employs currency swaps, foreign exchange contracts and other derivatives. ORIX also uses foreign currency borrowings to hedge these exchange rate risks.

The use of derivatives exposes ORIX to credit risk on such derivative transactions. ORIX monitors the notional principal amounts, current prices, transaction types and other variables for each counterparty on a regular basis.

ORIX sets derivative transaction management rules and guidelines, and ORIX has a system of internal controls for derivative transactions.

4) Transactional Legal Risk Management

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

In an attempt to prevent and mitigate such legal risks, in Japan ORIX requires, in principle, that ORIX’s divisions related to legal affairs 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 ORIX’s prescribed rules and guidelines. ORIX’s divisions related to legal affairs are also involved in the process for the approval of such contracts in accordance with ORIX’s internal rules. Depending on the size and importance of a given transaction, ORIX may also utilize the expertise of outside lawyers. To ensure that proper legal procedures are followed in connection with legal disputes and litigation, ORIX requires that its divisions related to legal affairs be involved in such disputes and litigation, including lawsuits that have been, or are expected to be, brought against ORIX and lawsuits that ORIX brings, or expect to bring, against third parties. The status of any lawsuits is reported to the Group Executive Officer meetings regularly.

In addition to establishing internal regulations necessary to observe
applicable laws, ORIX also monitors potential changes in relevant laws, as new information becomes available. As necessary or appropriate, ORIX 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 ORIX is, and continues 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, ORIX’s divisions related to legal affairs conduct monitoring activities to prevent the violation of intellectual property rights, and quickly take necessary measures when violations are discovered.

(6) Other Operational Risk Management

As ORIX’s 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, ORIX is also continually seeking to strengthen its internal control and compliance functions.

The Risk Management Headquarters conducts quantitative and qualitative evaluation and regular monitoring of risk. ORIX Computer Systems is working on the reduction of operational risks by the maintenance and administration of internal systems. The Internal Audit Department monitors the effectiveness and efficiency and compliance with applicable rules and regulations by ORIX’s various operations; the status of improvements to and compliance with ORIX’s internal rules; and the status of each department’s self-examinations based on an annual internal audit plan that focuses on material risks. As a result of monitoring, ORIX evaluates the current status of internal controls and make improvements as necessary.

Additionally, in order to raise awareness of compliance issues among employees, the Legal and Compliance Department has produced a compliance manual and distributed it to all employees in Japan. Each year, the department also plans and executes a compliance improvement program encompassing such activities as identifying and evaluating compliance risks, selecting the important risks, and taking measures to reduce those risks. Based on the programs results, more effective compliance systems are built.

Regarding natural disaster risk, ORIX has established Natural Disaster Risk Management Regulations. ORIX has developed a system in which the Human Resources and Corporate Administration Headquarters supervises the coordination of recovery activities after the occurrence of a natural disaster in Japan, while the Global Business and Alternative Investment Headquarters handles the overseas function. By distributing a natural disaster manual to all its employees in Japan and carrying out disaster drills in accordance with these regulations, ORIX is maintaining a framework to respond appropriately to a natural disaster.

4. Enhanced Risk Management in line with Recent Changes in the Business Environment

Due to the effects of the global financial crisis, significant changes have recently occurred in the environment surrounding ORIX. Under the prevailing economic environment, ORIX has shifted to a management policy emphasizing stability over growth. Balance sheet control is now the most important operational issue. Specifically, ORIX’s risk management framework is being enhanced to manage liquidity risk, volatility risk related to profitability and risk involved in investment and finance.

Regarding liquidity risk, ORIX is stabilizing its funding structure in response to dysfunction in the short-term financial and capital markets through decreasing its percentage of funding from the capital markets, including CP, along with flexibly increasing long-term funding. In addition, to protect against excessive balance sheet growth, ORIX is controlling the asset levels of each business unit by considering the business units’ current position and doing regular scenario analyses. In order to do so, exchanging quantitative and qualitative information between business units is vital. Information about changes to the business environment and to ORIX’s operating cash flow is shared in bi-monthly meetings between the Treasury Department and the head of each business unit.

Regarding risk related to changes in profitability, impacts on profitability resulting from changes in the quality and cash flow investment assets and loan assets, market changes and status of operations are carefully scrutinized. ORIX has a large portfolio, including financial service operations, and ORIX performs complete and transparent monitoring and control according to the characteristics of each operation. The risk situation for each business unit is analyzed both quantitatively and qualitatively on both the individual transaction and portfolio levels, and the necessary measures to minimize changes in profitability are implemented. Contents of individual business unit level analyses are shared throughout the Group, and risk related to changes in profitability is controlled by capitalizing on a diverse business portfolio through measures including managing risk through intra-business unit cooperation.

In addition to each unit’s response to the changing business environment, quantitative and qualitative evaluation of events that may be factors for changes in profitability are performed from the viewpoint of each business unit during weekly meetings (ERM meetings) of the people in charge of each business unit of the company. The results of the evaluation are reflected in Group-wide or business unit-level measures.
ORIX will seek to control investment and finance risk specifically through emphasizing real estate risk management and the enhanced monitoring of investments. ORIX attempts to minimize real estate-related business risk by capitalizing on its knowledge and experience acquired through its development, rental, operating, servicing and asset management operations, and making use of its network to actively promote the leasing and sales of held real estate as well as increase real estate collateral value.

Regarding enhanced monitoring of investments, ORIX regularly monitors the progress of the original expectations for each transaction and, when necessary, develops a framework to minimize risk by supplying personnel and business support such as enhanced governance and management.

Examples of Main Business Risk Management

(1) Real Estate-related Businesses

The activities of ORIX's domestic real estate-related operations consist mainly of loans to real estate companies in the Corporate Financial Services segment; development and leasing of office buildings, commercial facilities, residential and logistics centers; sales of condominiums; the operation of hotels, golf courses and training facilities in the Real Estate segment; real estate finance such as non-recourse loans in the Investment Banking segment; and housing loans in the Retail segment. These businesses are susceptible to business risk from a downturn in the real estate market; however, the content, monitoring points and risk management methods differ accordingly. ORIX is planning to minimize risk and increase profitability through the comprehensive application of the Group's wide-ranging real estate-related expertise, in addition to ORIX's accumulated financing expertise in each of these businesses.

1) Loans to Real Estate Companies

Credit risk is the main risk associated with real estate collateral financing. However, loans to real estate companies is capital for the purchase and development of a property and, because it is in no small way impacted by the condition of the real estate market, information is shared with another real estate-related department within ORIX, which is used in monitoring the loan client. In addition, even in the event where the credit of the loan client worsens and the total amount cannot be collected, a purchaser or tenants may be introduced using the network of another real estate-related department and collection may proceed by taking the collateral as an asset and increasing the value.

2) Real Estate Business

As business risk has the greatest influence on final profitability in the real estate business, emphasis is placed on monitoring business strategies and schedules. The business strategy is reconsidered in the case of a major divergence from the initial forecast. The following are considered for condominiums: development and sales schedule, unit sales progress, and rate of return. The following are considered for development and rental properties: development and retention schedule, and NOI yield. ORIX is focusing on creating manuals and educating employees in order to minimize business and operational risk in the operating asset business.

3) Real Estate Finance Business

ORIX recognizes market risk and credit risk as the major risks to the real estate finance business under a normal operating environment. Because of this, in ORIX's non-recourse loan business ORIX monitors the loan-to-value ratio, the debt-service coverage ratio and other terms and conditions such as equity provided by other companies, interest reserve and guarantees, in addition to controlling risk through swift response to changes in the market. However, in a stress-case such as a significant drop in market liquidity, ORIX diligently monitors the cash flow from the properties to improve the terms and conditions of its loans. In addition, capitalizing on ORIX's real estate expertise, ORIX can flexibly respond to the changing business environment by taking on business risk as a profitable operation through the acquisition and holding of the collateral.

4) Housing Loan Business

The housing loan business of ORIX Trust and Banking manages risk housing individual screenings, each of which consists of a comprehensive evaluation including the cash flows that can be derived from the property, collateral value and the client's potential to repay. When making housing loans to individuals for the purchase of a property for self-occupancy purposes, ORIX focuses on the stability of the client's income, emphasizing disposable income. When making loans for the purchase of a condominium for investment purposes ORIX carries out a stress test on clients that have several properties to determine the amount of revenue in the event that rental revenues decrease significantly. When making a loan for the purchase of an apartment building, ORIX performs a rental simulation to estimate vacancy rates based on the surrounding market, the impact of a rise in interest rates and expected future cost. Through this simulation, ORIX evaluates the potential client's ability to repay.

(2) Principal Investment Business

Credit risk and market risk are the main risks of the principal investment business conducted by the Investment Banking segment, which varies according to the stage of development. Credit risk is high for companies for which ORIX is raising corporate value due to the focus on cash flow. Market risk increases as time for collection nears, due to measuring the corporate value by referencing the corporate values of
similar industries.

When making ORIX’s initial investment decision, ORIX does a credit evaluation, analyzing the company’s credit risk and assessing its cash flow. Also, ORIX performs a multi-faceted evaluation, engaging administrative departments such as the accounting and legal departments to consider the characteristics of the operation and investment scheme. Specifically, ORIX analyzes the operating environment, corporate strategy and method for increasing corporate value, and verifies the adequacy of profitability, estimated investment timeline and exit strategy scenarios.

After an investment has been made, each transaction is monitored for deviations in cash flow, increased corporate value, exit strategy, corporate strategy, and business environment from the original scenario. The frequency of monitoring has been increased during these times of rapid changes in the business environment, and ORIX is simultaneously verifying the adequacy of investment scenarios and swiftly taking the necessary actions. ORIX is working to enhance the management of investments that have a significant impact on ORIX through such measures as the dispatch of management personnel. ORIX also takes the result of monitoring into account for risk calculations for each investment.

(3) U.S. Operations

ORIX conducts investment banking operations in the U.S., providing investment and finance services, such as investment in securities including corporate finance and CMBS, and advisory and corporate valuation services related to M&A and corporate financial restructuring. Investment and finance business is conducted by ORIX’s U.S. subsidiary. Investment banking business is conducted by Houlihan Lokey & Zukin ("Houlihan Lokey") under ORIX’s U.S. subsidiary. The following sections overview the risk management systems applied to these operations.

1) Investment and Finance Business

The main risks for the investment and finance business are credit risk, market risk and operational risk.

At the time of origination, ORIX assigns an internal credit rating for each investment and loan taking into consideration the credit status of the borrower or company in which ORIX is investing and the collateral for the transaction. ORIX continually monitors credit throughout the financing period, reconsidering the internal credit rating at fixed intervals. Monitoring is conducted by performing a comprehensive analysis of the investment and/or loan, taking into account the profits and losses and cash flow of the company, competitive edge, corporate value and balance sheet stability, which is reflected in ORIX’s internal rating. For investments and loans with a rating requiring attention, administrative departments outside of the Accounting Department, Legal Department and the department responsible for investments and loans participate to produce an objective and compound evaluation the deciding management policies such as provisions and impairments.

Regarding market risk, ORIX monitors on a daily basis the market value and mark-to-market valuation of its investments and loans. In addition, ORIX proactively manages risk by referring to the credit risk information for each investment and loan that it acquired during the credit risk management process and by conducting early exits to secure profits or minimize losses.

Regarding operational risk, the investment, loan provider and manager are separated. Each acts independently according to the financing process manual. Also, the internal audit department regularly inspects the performance of ORIX’s investing and lending operations.

2) Investment Banking Business

Operational risk is the main risk in the investment banking business.

Houlihan Lokey complies with operating standards set forth by authorities responsible for overseeing the investment banking business such as the U.S. Financial Industry Regulatory Authority (FINRA) and U.K. Financial Services Authority (FSA). It is vital that the advice and evaluation forms provided as a part of the investment banking business maintain quality and operational methods that meet these standards. In order for Houlihan Lokey to provide high-quality advisory and evaluation services according to the appropriate methods, operational risk is managed through such methods as an internal quality control committee.

(4) Retail Businesses

1) Life Insurance Business

The main business risk in the life insurance business is risk associated with accepting insurance contracts.

Before finalizing insurance contracts, ORIX Life Insurance takes thorough measures 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 important determinants of future insurance-related profitability, ORIX Life Insurance promotes their effective execution by ensuring the hiring of sufficient staff and encouraging staff to acquire specialized know-how. ORIX Life Insurance also educates and instructs representative branch staff and agents to enhance compliance regarding the prevention of personal information leaks and regarding the solicitation of insurance.

2) Consumer Card Loan Business

Credit risk is the main risk associated with the consumer card
loan business.

New transactions capitalize on extensive individual credit evaluation know-how, as well as a proprietary scoring system that is founded on a database accumulated over many years. In accordance with the self-regulations established by the Moneylending Business Law and the Japan Financial Services Association, ORIX evaluates customer creditworthiness based on an analysis of customer attributes, such as 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 ORIX sets 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, ORIX obtains information from several consumer credit bureaus and undertakes subsequent credit evaluations at regular intervals to constantly monitor changes in the customers’ financial condition.

These subsequent credit evaluations examine changes in customers’ attributes and other debt, and analyze the customers’ repayment history with respect to ORIX Credit and other creditors. Moreover, particularly regarding customers with deteriorating credit, ORIX provides counseling programs and through those programs works to gain a more detailed understanding of customers’ situations.

Depending on the results of these subsequent evaluations, ORIX may discontinue supplementary loans or reduce credit limits, in order to continually control credit risk.

Furthermore, the implementation of total volume controls is expected to become effective by June 2010 pursuant to the revised Moneylending Business Law. According to the regulations, in principle if a borrower’s loans exceed one-third of the borrower’s yearly income (including existing loans), it will become necessary to decline applications for new loans and stop increased financing.

Quantitative Information on Financial Products

The table below summarizes projections and average rates for non-trading financial products excluding direct finance lease investment, operating lease investment, subsidiary and affiliated company investment, pension investment and insurance contracts.

The average interest rates of financial products for the previous and current fiscal terms were: 4.9% and 5.0% for installment loans, 2.5% and 2.8% for interest-bearing bonds, 1.7% and 1.5% for long- and short-term debt, and 1.0% and 1.1% for deposits.

Projections for Non-Trading Financial Products

<table>
<thead>
<tr>
<th>Years Ending March 31</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Installment loans (fixed rate)</td>
<td>¥210,122</td>
<td>¥143,207</td>
<td>¥114,242</td>
<td>¥87,968</td>
<td>¥59,068</td>
<td>¥154,229</td>
<td>¥768,836</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>6.2%</td>
<td>7.2%</td>
<td>8.3%</td>
<td>8.8%</td>
<td>9.3%</td>
<td>5.3%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Installment loans (floating rate)</td>
<td>¥372,381</td>
<td>¥428,976</td>
<td>¥363,917</td>
<td>¥321,430</td>
<td>¥256,277</td>
<td>¥643,300</td>
<td>¥2,386,281</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>3.8%</td>
<td>3.9%</td>
<td>4.1%</td>
<td>4.0%</td>
<td>4.1%</td>
<td>5.2%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Investment in securities (fixed rate)</td>
<td>¥61,834</td>
<td>¥53,117</td>
<td>¥27,253</td>
<td>¥34,937</td>
<td>¥12,927</td>
<td>¥183,010</td>
<td>¥373,078</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>1.8%</td>
<td>2.5%</td>
<td>3.7%</td>
<td>3.3%</td>
<td>2.4%</td>
<td>2.6%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Investment in securities (floating rate)</td>
<td>¥65,434</td>
<td>¥84,605</td>
<td>¥53,416</td>
<td>¥88,477</td>
<td>¥2,271</td>
<td>¥27,993</td>
<td>¥322,196</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>3.4%</td>
<td>3.2%</td>
<td>3.6%</td>
<td>2.4%</td>
<td>3.5%</td>
<td>4.2%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>¥798,167</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥ —</td>
<td>¥798,167</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>1.8%</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>1.8%</td>
</tr>
<tr>
<td>Deposits</td>
<td>¥417,149</td>
<td>¥68,445</td>
<td>¥110,117</td>
<td>¥33,293</td>
<td>¥38,623</td>
<td>¥ —</td>
<td>¥667,627</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>—</td>
<td>1.1%</td>
</tr>
<tr>
<td>Long-term debt (fixed rate)</td>
<td>¥450,620</td>
<td>¥659,870</td>
<td>¥502,986</td>
<td>¥258,329</td>
<td>¥257,215</td>
<td>¥196,934</td>
<td>¥2,325,954</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>1.5%</td>
<td>1.6%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>1.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Long-term debt (floating rate)</td>
<td>¥582,229</td>
<td>¥532,326</td>
<td>¥476,856</td>
<td>¥299,676</td>
<td>¥162,288</td>
<td>¥74,516</td>
<td>¥2,127,891</td>
</tr>
<tr>
<td>Average interest rate</td>
<td>1.2%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.2%</td>
<td>1.4%</td>
<td>1.7%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
As CFO, what areas are you most focused on at present?

Under the prevailing global financial and economic turmoil, strict balance-sheet control has become my top priority. This includes assets, liabilities and equity, but also earnings generated and related risks. Specifically, I am focusing on three core areas: “asset-liability management,” “earnings management,” and “business risk management,” with the objective of swiftly and effectively fortifying the corporate foundation and realigning the Group’s businesses.

What are the top priorities for asset-liability management, earnings management and business risk management?

As conditions continue to fluctuate, I am controlling assets in response to movements in the financial and capital markets and the real economy. In the near term, I am reducing asset levels in alignment with present market contractions, while at the same time bolstering our financial stability placing particular emphasis on funding sources and sufficient liquidity.

Continuing into fiscal 2010, and amid the ongoing credit crunch following the Lehman Brothers collapse, I have reduced the amount of commercial paper issued, shifting predominantly to borrowings from banks. In addition, I have purposefully kept more-than-ample reserves on hand to ensure flexible short-term liquidity, as well as looked to efficiently manage the Group’s fund-raising activities to deal with the issue of liquidity risk.

Moving forward, I will continue to prioritize consolidation of our present fund procurement base and present financial positioning. This will involve deepening our ties with financial institutions as we acquire funds by issuing debt such as corporate bonds and MTNs, flexibly issuing commercial paper in small lots to a diverse range of counterparties, and finally, liquidating assets, as we keep a close eye on market conditions.

The primary focus of earnings management will be on minimizing volatility and generating stability through enhanced revenue and profit streams. Volatility will be minimized through a control framework of comprehensive qualitative and quantitative analyses of ORIX’s wide-ranging business portfolio both at the individual project and portfolio levels, with a strategy emphasizing increased collections being given top priority.

Profit base growth will be achieved by the promotion of new fee-based services meeting clients’ evolving needs, expansion of the real estate management and asset management operations, and forging closer ties with financial institutions. Furthermore, a group-wide reduction in selling, general and administrative expenses will make a crucial contribution.

Business risk management priorities include enhancing existing measures and further strengthening monitoring of investee companies.

ORIX’s real estate-related business is engaged in a wide range of operations, including real estate financing, development, rental, operation, loan servicing, and asset management. The depth and breadth of scope gives us a highly diversified risk profile, allowing us to maximize the value chain in order to effectively control risk.

For example, in our loan operations for real estate companies, even in those instances where collection of the total amount of receivables is unfeasible, we can capitalize on the Group’s network to find a potential buyer or tenants for the collateralized real estate, or we have the option of repossessing the property as an operating asset and increasing value. We can also add value and maximize returns by enhancing the leasing and sale of asset holdings via the real estate development and leasing business, and the residential condominium development operations.

I will be regularly monitoring investee companies on an individual basis comparing present status with original scenarios and where judged necessary will enhance corporate governance through the swift implementation of measures to provide personnel support including the dispatch of executives and managers, and increasing business support to further minimize risk.