Overview of Performance During Fiscal 2009 (the fiscal year ended March 31, 2010)

Clear Signs of the Next Growth Stage

ORIX’s net income for fiscal 2009 rose 72% from the previous fiscal year to ¥37.8 billion, exceeding our initial forecast of ¥30.0 billion by 26%.

This bottom line figure indicates a significant recovery in terms of year-on-year performance and results versus forecast, but it still has not recovered to pre-crisis levels. Nevertheless, two consecutive years of solid profit is a significant achievement, the result of ORIX’s swift and proactive measures to address key issues in a difficult operating environment. Although we are far from satisfied with the current level of earnings, by scaling back total assets and lowering our debt/equity ratio as we outlined at the beginning of the fiscal year, we have succeeded in further enhancing financial stability throughout the year, and we saw clear signs that we are moving toward the next growth stage.
The Nature of ORIX’s Strengths

Business and Funding Diversification

ORIX was established as a pioneer in Japan’s leasing business in 1964. We have proceeded to expand not only in terms of items that we lease, but also by developing expertise in related operations, including loan-related, operating leases and real estate-related businesses, as well as life insurance and banking operations. Through the steady growth of these individual operations we have diversified our business. We have also pursued regional expansion to areas including Asia, North America and the Middle East, and today we have offices in 27 countries and regions around the world.

We have also diversified our funding sources. While the capital markets expanded, we have been careful not to rely too heavily on capital market funding, and instead maintained a roughly 50-50 balance between direct and indirect funding. Our indirect funding sources include more than 200 financial institutions. This is one of the reasons that we were able to weather the financial crisis.

ORIX has faced numerous crises over its 46-year history, including two oil shocks, the collapse of Japan’s economic bubble, the Asian currency crisis, the collapse of the IT bubble and now the current financial crisis. However, even in the midst of such difficult operating environments, our diversified business portfolio and balanced funding have allowed us to overcome these challenges. Moreover, with the exception of one instance shortly after our establishment, ORIX has never once posted a loss, and has consistently achieved sustained growth.

Strong Individual Businesses and Mutual Networking

ORIX has built its business portfolio over many years by expanding into related fields in which it had sufficient expertise, and through mergers and acquisitions with highly specialized businesses. As ORIX’s expertise and proficiency in each business evolved, the number of stand-alone businesses increased. As a result we now have a range of operations in business fields of differing characteristics, effectively providing risk diversification. Another characteristic of ORIX is that each individual business has basically established its own secure position, with a combination of solid profitability and growth. These businesses have grown by taking advantage of synergies, such as by providing each other with products and services. This combination of strong individual businesses and mutual networking is one of ORIX’s greatest strengths.

Proper Risk Management for the Macroeconomic Environment

In addition to a strong business foundation, ORIX’s capacity for risk management allows prompt and bold action to keep it a step ahead of changes in the macroeconomic environment. We began to slow our asset expansion as early as December 2007, well before Lehman Brothers filed for bankruptcy. In fiscal 2009 we started to particularly scale back real estate assets and to enhance risk management. History teaches that no matter how strong a business foundation may be, continued expansion of leverage with no heed to financial conditions or demand trends does not improve financial stability. We will continue to focus on deepening risk management with the goal of achieving earnings growth.

Another factor that we believe has allowed us to overcome the numerous difficulties over the years is our suitable control of business risks within the amount of shareholders’ equity in a changing environment.
Management Strategies for the Future

Future Growth Areas
Where should we seek the source of future growth? The simplest answer is through the growth of our existing businesses. We believe that each business has the potential for further growth. At the same time, we are also focusing on the following growth areas, growth regions and new areas. Growth areas, such as “Finance + Services,” are where ORIX is able to leverage its extensive experience and expertise. In these areas ORIX can cultivate new fee-based businesses in Japan and overseas, and broaden its stable earnings base over the short- to medium-term by providing added value without increasing asset levels.

Next, in growth regions, we are focusing our efforts on Asia, where we can expand the diversified businesses we have developed in Japan. We are stepping up efforts to sow the seeds for business expansion in China and other major countries in the region, while diversifying risk by strengthening relationships with local partners. We expect these businesses in Asia to begin contributing to earnings within a relatively short time.

Finally, there are new areas such as the environment and energy. ORIX has been involved in the environment-related business since the mid-1990s. This area allows ORIX to display its unique strengths, represented by our operation of Japan’s most advanced private-sector waste treatment facility. We expect to show achievements while making a long-term commitment in this area.

Sustainable Growth
ORIX has concluded its crisis response measures, taking steps to regain a growth track, and we believe that fiscal 2010 will be critical for this transition. The macroeconomic environment behind our business activities gives us little cause for optimism. The global economy has emerged from the worst of the crisis, but employment, mainly in developed countries, and other factors remain opaque. Moreover, the potential remains for renewed financial instability as the European fiscal crisis has shown. That is to say, the financial and capital markets will not return to their previous state.

We have learned much from the experience of the financial crisis. Considering that it is impossible to have complete faith in the functioning of the financial markets, proper corporate management in the future requires that earnings growth be achieved while maintaining financial stability and exercising thorough risk management. This is what can be called sustainable growth. As I mentioned earlier, ORIX plans to increase its expertise, fortify its financial stability and enhance its risk management with the aim of maintaining sound business operations and achieving steady growth. Accordingly, for the fiscal year ending March 2011 we are aiming for profitability in all segments, with a net income attributable to ORIX Corporation of ¥57.0 billion (up 50% year on year). We have also set a target for return on equity (ROE), one of the main management indicators, of 10% over the medium term.

Message to Shareholders

Creating New Value
ORIX has sought to create new value under our corporate slogan “ORIX, The Only Answer.” In essence, growth for ORIX will be based on satisfying society by providing the services and products that people have unconsciously desired. At the same time, we believe that our true contribution to society as a corporate group is to maintain our ability to provide services and products that add recognizable value.
ORIX Management Organization

Progressive Corporate Governance
As a corporate group, ORIX wants to be lauded for its progressive approach, not only in business but in corporate governance. ORIX has actively built and strengthened an organizational structure that clearly separates oversight functions from business execution. Since establishing an Advisory Board in 1997, we have introduced outside directors, adopted a "Company with Committees" board model, and established a Nominating Committee and Compensation Committee composed entirely of outside directors. All outside directors meet the requirements for independence established by ORIX’s Nominating Committee. This demonstrates how ORIX has stayed ahead of regulations on independent officers, which the Tokyo Stock Exchange started to require for all listed companies from the start of fiscal 2010.

Personnel

Promoting the Concept of “Keep Mixed”
We believe that our greatest driver for growth is our exceptional human resources and we seek to create a workplace in which all employees are able to utilize their talents and expertise to the fullest extent possible, regardless of age, gender, education or nationality under the concept of “Keep Mixed.” We will continue to strive to ensure that as many employees as possible feel that they made the right choice in joining ORIX, and derive sufficient sense of accomplishment by contributing to corporate growth, society and shareholders.

ORIX conducts its business with the aim of satisfying shareholders by increasing corporate value. To this end we will continue to leverage our expertise and teamwork built on originality and flexibility.

July 2010

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