Corporate Philosophy

ORIX is constantly anticipating market needs and working to contribute to society by developing leading financial services on a global scale and striving to offer innovative products that create new value for customers.

Management Policy

- ORIX strives to meet the diverse needs of its customers and to deepen trust by constantly developing superior services.
- ORIX aims to strengthen its base of operations and achieve sustained growth by integrating ORIX’s resources to promote synergies amongst different units.
- ORIX makes efforts to maintain a corporate culture that encourages a sense of fulfillment and pride by developing personnel resources through corporate programs and promoting professional development.
- ORIX aims to attain stable medium- and long-term growth in shareholder value by implementing these initiatives.

Profit Distribution Policy

- ORIX believes that securing profits from its businesses primarily as retained earnings, and utilizing them for strengthening its base of operations and making investments for growth, assists in sustaining profit growth while maintaining financial stability, and leading to increased shareholder value.
- Regarding dividends, ORIX responds to shareholder expectations through increasing shareholder value through mid- to long-term growth and steady distribution of profit.
Directors

1. Yoshihiko Miyauchi
2. Yukio Yanase
3. Hiroaki Nishina
4. Haruyuki Urata
5. Makoto Inoue
6. Kazuo Kojima
7. Yoshiyuki Yamaya
8. Yoshinori Yokoyama
9. Hirotaka Takeuchi
10. Takeshi Sasaki
11. Eiko Tsujiyama
12. Robert Feldman
13. Takeshi Niinami

Directors and 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
Investment Banking
Group Osaka Representative
Chairman, ORIX Real Estate Corporation
President, ORIX Baseball Club Co., Ltd.

Haruyuki Urata
Deputy President and Chief Financial Officer
Corporate Planning Department, Corporate Communications Department
Financial Control Headquarters

Makoto Inoue
Deputy President
Global Business & Alternative Investment Headquarters

Kazu Kojima
Corporate Executive Vice President
Domestic Sales Administrative Headquarters

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

Committees

<table>
<thead>
<tr>
<th>Nominating Committee</th>
<th>Audit Committee</th>
<th>Compensation Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>(5 members)</td>
<td>(3 members)</td>
<td>(5 members)</td>
</tr>
<tr>
<td>Takeshi Sasaki*</td>
<td>Eiko Tsujiyama*</td>
<td>Yoshinori Yokoyama*</td>
</tr>
<tr>
<td>Yoshinori Yokoyama</td>
<td>Yoshinori Yokoyama</td>
<td>Hirotaka Takeuchi</td>
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<td>Takeshi Sasaki</td>
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</tr>
<tr>
<td>Robert Feldman</td>
<td>Eiko Tsujiyama</td>
<td>Takeshi Niinami</td>
</tr>
<tr>
<td>Takeshi Niinami</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Each of ORIX’s three committees is currently composed entirely by outside directors.
Introduction of ORIX Outside Directors

Yoshinori Yokoyama
Chairperson of the Compensation Committee
Outside Director, Sumitomo Mitsui Financial Group, Inc.
Outside 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, IAI 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 Chairperson 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.

Hirotaka Takeuchi
Professor, Harvard Business School
Outside Director, Trend Micro, Inc.

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 and then becoming a Lecturer and 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 served as Dean at the Graduate School of International Corporate Strategy from 1998 to March 2010.

Takeuchi became an Outside Auditor of ORIX Corporation in June 2000, resigned in June 2003, and was then appointed Outside Director in 2004. He has profound knowledge of corporate strategy, and is independent from the management engaged in operations. As Chairperson of the Nominating Committee until June 2010, he contributed to the Company by leading discussions and deliberations on members of the Board of Directors and Executive Officers suitable for the Company’s operations. In discussions of the Board of Directors and committees, he provides comments from an overall strategic perspective.

Takeshi Sasaki
Chairperson of the Nominating Committee
Professor, Gakushuin University, Faculty of Law, Department of Political Studies
Outside Director, East Japan Railway Company
Outside 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. In June 2003, as Chairperson of the Japan Association of National Universities, Sasaki was involved as the person in charge of the incorporation 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, is knowledgeable in a wide range of issues in politics and society in general that affect the company’s management, and is independent from the management engaged in operations. He contributes to the Company by pointing out major issues of the Company management at the meetings of the Board of Directors and other committees.
Eiko Tsujiyama became an Assistant Professor at Ibaraki University (Faculty of Humanities) in August 1980. She later became an Assistant Professor at Musashi University (Faculty of Economics), and was appointed Dean of Musashi University’s Faculty of Economics and Chairperson of the Graduate School of Economics in April 1996. In April 2003, Tsujiyama became a Professor at Waseda University Faculty of Commerce and Graduate School of Commerce. In June 2004, Tsujiyama became Chairperson of the National Tax Council. Tsujiyama has served on review committees of governments and other organizations in Japan and overseas related to financial accounting. Tsujiyama was appointed as an Outside Director of ORIX Corporation in June 2010 based on her previous experience, in-depth knowledge as an expert in accounting and independence from the management engaged in operations.

ORIX expects Eiko Tsujiyama to lead discussions as Chairperson of the Audit Committee based on her wealth of experience and standpoint as a specialist.


Feldman was appointed as an Outside Director of ORIX Corporation in June 2010 based on his in-depth knowledge as an economist of the environment and events in Japan and overseas that affect the corporate business environment and his independence from the management engaged in operations.

ORIX expects Robert Feldman to supervise and provide advice to the Company’s management from a broader point of view based on his wealth of experience.

Takeshi Niinami joined Mitsubishi Corporation in 1981. In 1995 he was appointed President of Sodex Corporation (now LEOC JAPAN Co., Ltd.). Niinami was named Unit Manager of Lawson Business and Mitsubishi’s Dining Logistical Planning Team, Consumer Industry Division, Mitsubishi Corporation in 2001. Niinami became President and Chief Executive Officer of Lawson, Inc. in 2002, before assuming the role of President and CEO in 2005. Niinami became a Director at ACCESS CO., LTD. in 2006.

Niinami was appointed as an Outside Director of ORIX Corporation in June 2010 based on his broad knowledge of corporate management and his independence from the management engaged in operations.

ORIX expects Takeshi Niinami to direct and advise management with his experienced business judgment.
Executive Officers

Corporate Executive Vice President
Tamio Umaki
Chief Information Officer, Human Resources & Corporate Administration Headquarters, IT Planning Office

Corporate Senior Vice President
Mitsuo Nishiumi
Investment Banking Headquarters, Securitization and Capital Markets Office, President, ORIX Capital Corporation

Executive Officer
Yuki Oshima
Chairman, ORIX USA Corporation

Executive Officer
Katsutoshi Kadowaki
Domestic Sales Administrative Headquarters: Head of District Sales

Executive Officer
Hisayuki Kitayama
Investment Banking Headquarters, President, ORIX Asset Management & Loan Services Corporation, President, ORIX Wholesale Securities Corporation

Executive Officer
Hiroshi Yasuda
Investment Banking Headquarters

Executive Officer
Katsunobu Kamei
Domestic Sales Administrative Headquarters: Head of Kinki Sales, Group Osaka Deputy Representative

Executive Officer
Kenichi Miyachi
Risk Management Headquarters

Executive Officer
Yuichi Nishigori
Financial Control Headquarters

Executive Officer
Takao Kato
Financial Control Headquarters, President, ORIX Management Information Center Corporation

Executive Officer
Kazutaka Shimoura
Risk Management Headquarters

Executive Officer
Komei Ikebukuro
Legal and Compliance Department, Internal Audit Department

Executive Officer
Hideo Ichida
Global Business & Alternative Investment Headquarters
Group Executives

Eiji Mitani
President, ORIX Auto Corporation

Tetsuo Matsumoto
Real Estate Headquarters, Deputy President, ORIX Real Estate Corporation

Izumi Mizumori
President, ORIX Life Insurance Corporation

Yoshitaka Fujisawa
President, ORIX Computer Systems Corporation

Masatoshi Kemmochi
President, ORIX Credit Corporation

Keiji Ito
President, ORIX Rentec Corporation
Corporate Governance

1. Basic Policy and Progress in Strengthening 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 Progress in Strengthening Corporate Governance
Since the establishment in June 1997 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 Companies Act took effect on May 1, 2006, ORIX became a company with a revised “Company with Committees” board model under that law.

There are six outside directors after the June 22, 2010 General Meeting of Shareholders. 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 currently composed entirely of outside directors. The Nominating Committee determines the conditions necessary for director independence. Presently, all outside directors meet such conditions. Additionally, all outside directors are designated independent directors as required by the Tokyo Stock Exchange to ensure general shareholder protection. ORIX believes that opinions from outside directors based on his/her expertise and having no material interest with ORIX, will promote increased management transparency and objectivity.

Corporate Governance System
The Corporate Governance System after the June 22, 2010 General Meeting of Shareholders is as follows.

(a) 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, 2009 through March 31, 2010, the Board of Directors met eight times. The attendance rate of directors for these meetings was 97%. The Board of Directors includes 13 members, six 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
The ICC, which includes members of the top management and the executive officer in charge of investment and credit meets on average three times a month primarily to deliberate and decide on credit transactions and investments that exceed certain specified investment or credit amounts, important matters related to management of the Company and matters that have been entrusted to executive officers by the board of directors. Matters considered crucial to our operations are decided on by the ICC and reported to the board of directors as appropriate.

Group Executive Officer Meetings
Group Executive Officer Meetings, in which executive officers and group executives of the Company participate, are held on a monthly basis to share important information related to the business execution of the ORIX Group.

Monthly Strategy Meetings
The 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. The 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.

Information Technology Management Committee
The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology ("IT") systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems. The committee determines the needs of and priorities for IT investment based on the ORIX Group’s fundamental IT strategies. This method enables ORIX to ensure that IT decisions are consistent with its business strategies. Furthermore, this enables ORIX to pursue its goal of making IT investments that contribute to business growth and help reduce risk.

Disclosure Committee
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: Corporate Planning Department, The Financial Control Headquarters, Risk Management Headquarters, Legal and Compliance Department, Human Resources and Corporate Administration Headquarters, and Corporate Communication 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.

(b) Decision-Making Functions for Nominating, Audit, and Compensation Issues

Nominating Committee: The Nominating Committee is authorized to propose the slate of director appointments or dismissals to be submitted to the annual general meeting of Shareholders. Directors shall be elected and dismissed by a resolution of 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 Companies Act.

From April 1, 2009 through March 31, 2010, the Nominating Committee met five times. The attendance rate of these meetings was 88%.

Following the annual general meeting of Shareholders held on June 22, 2010, the Nominating Committee’s five members include Takeshi Sasaki (Chairman), Yoshinori Yokoyama, Hirotaka Takeuchi, Robert Feldman and Takeshi Niinami. All five members are outside directors.

Compensation of Directors and Executive Officers during Fiscal 2009

<table>
<thead>
<tr>
<th></th>
<th>Directors (Outside Directors)</th>
<th>Executive Officers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of people</td>
<td>Amount paid (Millions of yen)</td>
</tr>
<tr>
<td>Fixed compensation</td>
<td>6 (5)</td>
<td>67 (59)</td>
</tr>
<tr>
<td>Performance-linked</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock options</td>
<td>6 (5)</td>
<td>10 (8)</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>2 (2)</td>
<td>6 (6)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>84 (74)</td>
</tr>
</tbody>
</table>

Notes: 1. During fiscal 2009, 4 executive officers were newly appointed and 5 executive officers retired, for a total of 11 directors and 19 executive officers as of March 31, 2010. Figures for the number of officers remunerated and the remuneration amount include figures for the 1 director and 5 executive officers that retired during fiscal 2009.
2. In fiscal 2009 no persons serving concurrently as directors and executive officers were remunerated as directors. The total remuneration figure for the 6 persons serving concurrently as directors and executive officers is shown in the executive officer column line.
3. Stock compensation indicated on the left is the amount for the 2 outside directors and 4 executive officers that retired during fiscal 2009 or by the end of the General Meeting of Shareholders held on June 23, 2010. 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.
4. The Company did not provide stock options in the form of stock acquisition rights during fiscal 2009. The stock options indicated on the left are the expenses recognized during fiscal 2009 for new stock acquisition rights provided until fiscal 2008.
5. Compensation of Group executives for fiscal year 2009 was determined based on the Company’s executive officer compensation policies, and total fixed compensation amounted to ¥226 million for 10 Group executives. The total of performance-linked compensation amounted to ¥39 million, ¥33 million in stock option expenses were recognized, and stock compensation for the two people who retired amounted to ¥21 million.
6. Figures shown are rounded downward by discarding figures of less than ¥1 million.
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**

- No individuals, or any of their family members*, may receive a compensation of more than ¥10 million annually excluding compensation as an employee for family members, and excluding the individual's compensation as outside directors, from ORIX or its subsidiaries.
- No individuals, or any of their family members*, may be a major shareholder of ORIX (more than 10% of issued shares) or represent the interests of major shareholder.
- No individuals may have served as an executive officer or an employee of ORIX or its subsidiaries within the past five years. None of their family members* may have served as an executive officer of ORIX or its subsidiaries within the past five years.
- There must be no concurrent directorship relationship between the company for which the individual is serving as executive officer and ORIX, defined as being a relationship in which the company for which the individual is serving as an executive officer has a director that is also an executive officer 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 include a spouse, those related within the second degree by consanguinity or affinity, or other kin living with the outside director.

**Audit Committee:** The Audit Committee supervises the execution of duties by directors and executive officers, and creates auditing reports. The Audit Committee also has the right to propose the appointment or dismissal, or to pass resolutions for refusing reappointment of the Company’s independent certified public accountants at the annual general meeting of shareholders. 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 by capitalizing on the high degree of independence as outside directors, it 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 the 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 receives 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, which it receives 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 that it receives from the representative executive officer. Fifth, the Audit Committee confirms the reports that it receives from the independent certified public accountants regarding whether there are any material items relating to the audit.

The Audit Committee met eight times from April 1, 2009 through March 31, 2010. The attendance rate at these meetings was 91%. Following the Annual General Meeting of Shareholders held on June 22, 2010, Eiko Tsujiyama (Chairman), Yoshinori Yokoyama, and Takeshi Sasaki comprise the Audit Committee. All three members are outside directors.

Eiko Tsujiyama is qualified as a certified public accountant and has extensive knowledge in finance and accounting as a professional accountant.

**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 of 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 or her duties and in the importance of cooperation among different business units in order to achieve continued growth of ORIX.

The Compensation Committee at ORIX believes that in order 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.

Taking into consideration this basic policy, the following policies regarding the compensation of directors and executive officers have been adopted.

**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 executive officers’ performance in 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, and a shares component of compensation*.

**Compensation Policy for Executive Officers:** The compensation policy for executive officers including those who are also directors aims for a level and composition of compensation that is effective in maintaining supervisory and oversight 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 compensation component based on positions and duties performed, a performance-linked component, and a shares component of compensation as described on F43.

* 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 four times from April 1, 2009 through March 31, 2010. The attendance rate of these meetings was 88%.

Following the Annual General Meeting of Shareholders held on June 22, 2010, the Compensation Committee’s five members include Yoshinori Yokoyama (Chairman), Hirotaka Takeuchi, Takeshi Sasaki, Eiko Tsujiyama, and Takeshi Niinami. All five members are outside directors.
(3) Fundamental Policy Regarding Those Controlling Decisions on Financial and Business Policies

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.

2. Internal Control System Condition

(1) Internal Control System Concept

ORIX believes that an internal control system is vital to achieving business objectives. An internal control framework has been constructed and is managed for sound business management and appropriate and efficient operation toward the achievement of business objectives. Furthermore, ORIX is actively striving to revise and improve its internal control framework to adapt to the changing business environment and the expansion and diversification of the Company’s business.

Resolution of the Board of Directors Regarding the Internal Control System

1) Overview of the Resolution of the Board of Directors Regarding Those Necessary for the Execution of the Duties of the Audit Committee

(a) Directors and Employees Assisting Execution of the Audit Committee Duties

An Audit Committee Secretariat (2 members) has been established to assist executing the duties of the Audit Committee. A member of the Audit Committee delegates the duties of assisting the Audit Committee to the Audit Committee Secretariat, when it is necessary to execute the duties.

(b) Independence of Directors and Employees in aforementioned (a) above from Executive Officers

The appointment, evaluation, transfer and disciplinary action of the Audit Committee Secretariat are undertaken with the agreement of the Audit Committee.

(c) Framework for Executive Officers, Employees and Others to Report to the Audit Committee

- When an executive officer or employee becomes aware of operations that constitute a gross violation of the law and/or articles of incorporation, wrongdoing, or facts that may incur significant damage to the Company, he or she shall report to the Audit Committee.
- When an executive officer or employee becomes aware of material violation of legislations or company regulations, or violation of commonly accepted norms he or she shall report to and consults with the compliance helpline. The helpline official, when the matter reported and consulted is determined to be material, shall report to the Audit Committee. An executive officer or employee shall report to the Audit Committee or an Audit member nominated by the Audit Committee for matters concerning accounting, accounting internal controls and auditing.
- An executive officer or employee shall report and explain its execution of duties responding to a request from a selected member of the Audit Committee.

2) Overview of the Resolution of the Board of Directors Regarding the Development of Systems Necessary to Ensure that the Execution of Duties by Executive Officers Complies with Laws and Regulations and the Articles of Incorporation, and Other Systems Necessary to Ensure the Properness of Operations of a Stock Company

(a) Systems Necessary to Ensure that the Execution of Duties by Executive Officers Complies with Laws and Regulations and the Articles of Incorporation

- An Internal Audit Department has been established which monitors the Internal Control System.
- A Risk Management Headquarters has been established which checks transaction and product compliance through measures such as credit and investment screening and monitoring.
- A Legal and Compliance Department has been established which checks the operations to comply with laws, promotes the compliance system and aims to maintain internal control.
- Compliance Regulations and a Compliance Manual are established, and rules and standards of behavior are outlined for officers and employees to act according to laws, company regulations and socially accepted norms.

ORIX Company Business Conduct Principles, which are included in the Compliance Regulations and Compliance Manual, declare a rejection of the involvement or association with unlawful or antisocial organizations.
- A Compliance Helpline has been established to receive reports and provide consultation on legal violations, acts that violate company regulations and socially accepted norms. This is expected to lead to
early discovery of such violations and acts, which makes it possible to prevent misconduct and take necessary measures for improvements whereby strengthening the stability of the Company.

(b) Framework for the Storage and Management of Information in the Exercise of Executive Function
• ORIX is pursuing a framework aiming for the effective information utilization and to maintain confidentiality, by setting up rules for management, storage and disposal of classified information based on separately outlined regulations.

(c) Framework and Company Regulation for Managing the Risk of Loss
• ORIX accurately understands the risks associated with changes and diversification in line with the changing operating environment and business expansion. In response to these risks, the Risk Management System (to be hereinafter described) has been established.

(d) Framework to Ensure Efficient Execution of Executive Officer Duties
• ORIX has selected a “Company with Committees” system, and strives for efficient and swift operations through the resolution of the Board of Directors to delegate decision on the execution of the operations to executive officers within a scope of laws and regulations.

• Upon the administrative authority and decision-making rule, based on separately outlined company regulations, the Investment and Credit Committee, which includes members of the top management and executive officer in charge of investment and credit meets on average three times a month to deliberate and decide credit transactions and investments that exceed certain specified investment or credit amounts, important matters related to management of the Company and matters that have been entrusted to executive officers by the Board of Directors. For other matters, the Investment and Credit Committee specifies the person responsible for approval in accordance to the importance of the issue, and outlines the necessary operations to proceed efficiently.

• The Information Technology Management Committee includes members of the top management and the executive officer in charge of information technology ("IT") systems, and meets once a month to deliberate and approve important matters concerning fundamental policies for IT operations and IT systems.

• In order for top management to monitor whether or not the operations are in line with the initially established business plan, Monthly Strategy Meetings are held in principle once a month by individual departments and business units to discuss matters such as the state of achievement of strategic targets, changes in the business environment and the necessary changes in strategy are made.

• Group Executive Officer Meetings, in which executive officers and group executives of the Company participate, are held on a monthly basis with the aim of improving the efficiency of overall ORIX Group operations through the exchange of important information related to the business execution of the ORIX Group.

(e) System Necessary to Ensure the Properness of Operation of ORIX and Group Companies that Constitute the ORIX Group
• In principal, the Company ensures the properness of operation, administration and other matters of Group companies that constitute the ORIX Group by specifying an individual for approval, consultation and reporting, ORIX has specified its corporate philosophy, policy, and action guidelines.

• In principal, the Company’s internal control-related department in (a) above administers and supports not only sales-related departments of ORIX but also Group companies.

• The Disclosure Committee is established as a framework for the proper communication and administration in the case of material information that will impact ORIX’s operations and finances, and for appropriate and timely disclosure of such information based on the applicable laws and regulations.

• ORIX has established a framework for effective internal control over financial reporting based on separately outlined company regulations to ensure the credibility of the Company's financial reporting.

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.

Six of ORIX’s 13 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.
Risk Management

1. Overview

ORIX allocates management resources by taking into account Group-wide risk preference based on management strategies as well as the strategy of individual business units. Its board of directors and executives regularly review the performance of each business unit, evaluate the progress and profitability of each unit’s plan being carried out based on their respective strategy, and take responsive measures they deem appropriate or necessary in light thereof. This process enables ORIX to control the balance sheet and to allocate more management resources to business units viewed as having greater growth potential.

ORIX, in addition to the unit monitoring, also monitors risk 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 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, and measures are taken to rapidly understand and minimize all types of risk.

2. 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 managed according to its individual characteristics.

(1) Risk Management by Risk Type

(a) 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 its main business is financial services, ORIX manages credit risk in almost all of its business segments, in particular Corporate Financial Services, Investment Banking and Overseas Business.

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.

Credit evaluation for each transaction is performed by periodically monitoring such elements as performance, collateral and progress of collection. As risk management of individual debtors is especially important, ORIX also emphasizes credit evaluation at the beginning of each transaction and continuous risk monitoring of individual credit after the transaction has been made, with a focus on sufficiency of collateral and guarantees, liquidation of debt and the distribution of debtors and their business fields.

In connection with each 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 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 its comprehensive portfolio, as well as measures to set credit line limits, allow ORIX to control exposures to the markets with potentially high risks.

Under the current business environment, taking prompt corrective action for the management of problem assets is the most important task. ORIX seeks to identify problem assets quickly, and ORIX responds promptly based on various conditions of each transaction. Problem assets include 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.

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 and by working closely with its sales and marketing departments. The accumulated experience is reflected in its evaluation criteria of each credit transaction and portfolio analysis.

(b) Market Risk Management

ORIX defines market risk as the risk of negative impact on its portfolio or on the market value of its financial assets caused by variation in market conditions, such as interest rates, exchange rates, stock prices, product prices or interest rate risks and exchange rate risks related to fund procurement. For a further discussion regarding 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:

• Investment Banking: Private equity investment, venture capital investment, proprietary investment; and
• Retail: Investment in securities in its life insurance business; and
• Overseas Business: Investment in securities in the United States, private equity investment.
ORIX monitors risks in its portfolio by quantifying risks based on market fluctuations and defining acceptable risk levels. 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 evaluates the impact of market fluctuation. In connection with investments in securities by ORIX Life Insurance in Japan and ORIX USA in the United States, its 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 invest, as well as other factors. Its risk management departments review and compare daily reports against internal guidelines and macro- and microeconomic conditions.

(c) Business Risk Management

Various risks are inherent to its daily business, such as the risks associated with its judgment in its investments, its selection of new products for development and its 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 and competitive environment and market fluctuation risks in the used car and real estate markets.

ORIX monitors the scenario analyses and stress tests for each of its 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 Leasing and Real Estate segments. A principal risk relating to operating leases in the Maintenance Leasing segment is the risk of fluctuation in the residual value of the leased properties. 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 re-lease, as these operating lease items have high residual values. 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 its 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.

(d) 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 ALM rules so that ORIX can maintain an accurate understanding of these risks and appropriately respond to them. ORIX analyzes and understands the risk management situation, and, Financial Control Headquarters reports the results to the CFO and executive officers for taking necessary actions.

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 its financial condition. The important objective of its liquidity risk management is to create a liquidity structure that matches asset size and structure to its management's goals. In order to achieve this, ORIX places emphasis on maintaining a highly flexible 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 environmental 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.

Interest Rate Risk and Exchange Rate Risk Management

Interest rate risk represents its 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, slope point value, value at risk (“VaR”), as well as the potential 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 its 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 as in managing interest rate risks, in addition to utilizing VaR and other metrics.

Derivative Risk Management

ORIX may use derivatives as hedges if ORIX decides to hedge interest rate risk and exchange rate risk after consulting its 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 its 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 for each of its group companies based on Group-wide policies, and ORIX has a system of internal controls for derivative transactions.

(e) Legal Risk Management

Transaction 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 the contemplated transactions 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 the Legal and Compliance Department and the Risk Management Headquarters be involved in transactions from initial consideration 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 its prescribed rules and guidelines. The Legal and Compliance Department and the Risk Management Headquarters are also involved in the process for the approval of such contracts in accordance with its 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 the Legal and Compliance Department and the Risk Management Headquarters 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 brings, 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 works to avoid, prevent and mitigate risks through an in-house lawyer and, when necessary, with the involvement of outside lawyers and others.

In addition, the Legal and Compliance Department and the Risk Management Headquarters conduct monitoring activities to prevent the violation of intellectual property rights, and to quickly take necessary measures if and when violations are discovered.

(f) Other Operational Risk Management

As its business has expanded in recent years, operational risk management has become a significant component of its 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 works to reduce operational risk by the maintenance and operational administration of internal systems. The Internal Audit Department monitors the effectiveness and efficiency and compliance with applicable rules and regulations by its various operations; the status of improvements to and compliance with its 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. The department also plans and executes a compliance improvement plan for each Group company in accordance with their respective business profiles, which plans are based on annual Group-wide compliance policies. ORIX considers the results to improve the effectiveness of its compliance systems.

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 maintains a framework to respond appropriately to a natural disaster.

(2) Individual Business Risk Management

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 decreased profitability is controlled by capitalizing on a diverse business portfolio through measures including managing risk through intra business unit cooperation.
ORIX Corporation is dedicated to minimizing credit risk, diversifying investments, and improving operational efficiency across its various segments. This section outlines the strategies and considerations for each segment to manage risks effectively.

**Corporate Financial Services Segment**
Credit risk is the main risk of the Corporate Financial Services segment. ORIX reduces risk by diversifying borrowers and industries and emphasizing credit screening at the beginning of each transaction. After a transaction has been made, the sales departments regularly monitor the performance, collateral, and progress of collection of customers whose balance exceeds a certain level. The Risk Management Headquarters regularly checks customers with large credit balances.

ORIX analyzes the current condition and outlook for specific industries and sectors, and also analyzes the potential impact on the debtor while making decisions about future transactions in that specific industry or sector.

ORIX takes appropriate actions by thoroughly analyzing the condition of each problem asset. Specifically, in transactions collateralized by real estate, ORIX takes various measures such as capitalizing on the networks of its real estate-related departments to sell properties or introduce tenants.

**Maintenance Leasing Segment**
The main risk of the Maintenance Leasing segment is business risk.

For instance, this segment has commodity market fluctuation risks for property under operating leases. ORIX continuously monitors market environments and fluctuation in the resale value of leased property, and adjusts residual value estimates of leased items in new transactions accordingly. Cost fluctuation (prime cost) is the main risk of providing various services such as outsourcing. ORIX analyzes initial preconditions and performance, monitor future forecasts, and control costs at an appropriate level.

Additionally, there is the risk that the quality level of its services may fall below the required level due to changes in the operating environment or changes in diversification of client needs. ORIX monitors its service quality level quantitatively and qualitatively, and continuously strives to improve its level of service according to the operating environment.

ORIX also conducts credit monitoring on individual transactions to address credit risks.

**Real Estate Segment**
The main risk of the Real Estate segment is business risk.

ORIX focuses on cash flow when making investments or project decisions. ORIX reduces risk related to real estate price fluctuations by comparing cash flow performance to the initial plan and by improving the occupancy rate.

ORIX invests mainly in small properties, and diversifies risk by investing in large properties through joint ventures with partners.

Furthermore, emphasis is placed on monitoring investment strategies and schedules. The strategy is reevaluated in the case of a major divergence from the initial forecast.

The following factors are considered for condominiums: development and sales schedule, unit sales progress, and rate of return.

The following factors are considered in the case of development and rental properties: development and retention schedule and NOI yield. ORIX capitalizes on the Group’s network in order to improve occupancy rates and promote sales.

ORIX monitors occupancy rates and rates of return and focuses on creating manuals and educating employees in order to minimize business and operational risk in its operating asset business.

**Investment Banking Segment**
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 its 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 its 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.

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 its 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 verify 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 the profitability of ORIX through such measures as the dispatch of management personnel.

**Retail Segment**
Credit risk is the main risk of the trust and banking business.

The housing loan business (for the purchase of properties for self-occupancy and investment purposes, and apartments) manages 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.

Decision making for corporate loans is based on a detailed investigation of client performance, business plan, purpose of the loan, source of repayment as well as industry trends. In addition to individual screenings when
loans are arranged, ORIX also reduce risks by diversifying the industry and products of its portfolio.

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 check the status of other insurance contracts. 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 knowhow. 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.

**Overseas Business Segment**

**Operations in Asia and the Pacific**

Credit risk is the main risk of the leasing and loan businesses operated by local subsidiaries mainly in Asia.

When making a transaction, ORIX emphasizes credit evaluation and require adequate guarantees and collateral, in addition to diversifying small transactions. ORIX monitors the portfolio by industry, location and type of collateral. ORIX regularly monitors the performance of major credit exposure.

In addition, ORIX takes appropriate actions for problem assets by thoroughly analyzing condition of each asset.

The Risk Management Headquarters monitors the country risk of the overseas portfolio. In addition, it shares information regarding the portfolios of local subsidiaries, performance of major clients, condition of problem assets, and clients of particular concern. Risk management in the principal investment business, which is mainly in Asia, is conducted in a similar manner as the Investment Banking segment.

The main risk for ship- and aircraft-related business is the high volatility in the residual value of operating lease assets. To address this risk, in addition to restricting the lease to ships and aircrafts with general versatility, ORIX constantly monitors the valuation of its portfolio and considers the possibility of selling each vessel based on prevailing market conditions.

**U.S Operations**

The main risks for the investment and finance business in the United States 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.

For investments and loans with a rating requiring attention, ORIX produces an objective evaluation regarding the possibility of collection of such investments and loans, and decides 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 ORIX acquired during the credit risk management process and by conducting early exits to secure profits or minimize losses.

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

The main risk of Houlihan Lokey, which handles its investment banking business in the United States, is operational risk.

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.
What makes ORIX’s risk management unique?

ORIX is said to be a company without peers, even on the global level. I believe that this is an indication of the risk culture that we have cultivated since our establishment.

Our risk culture is characterized both by a thorough examination of each risk and our flexibility. A thorough examination leads to an accurate assessment of risk, which has allowed us to actively take good risks. As a result, we have established a broad-ranging portfolio consisting of slightly different risk profiles. The ability to assess risk and respond flexibly has allowed us to act swiftly and without hesitation under any business environment, and has proven to be a key factor of growth. This risk culture will inevitably continue to support the growth of ORIX.

As CFO, what has been reaffirmed by the current financial crisis?

At ORIX, the top management shares even the smallest details concerning individual transactions. Even during the financial crisis, it was our method of thoroughly understanding each transaction that allowed us to assess the risks involved and to take the appropriate action. The daily exchange of information also allowed us to take swift action. It isn’t easy for top management to make this level of commitment, but the financial crisis reaffirmed both the necessity and efficacy of our culture (method) of thoroughly looking at each transaction.

As we understand each transaction individually, we were able to consider multiple approaches from different angles, and quickly implement the best strategy to respond to the business environment. ORIX is involved in many different businesses and as such we were able to apply such resources as expertise and knowledge.

The business environment changed at a dizzying pace during the financial crisis. The most notable was the volatility of the capital markets, which we responded to with carefully controlled liquidity. The scenario was promptly changed and the balance sheet was controlled by swift response to the new scenario. While our methods of managing each kind of risk were important, I feel that we also largely relied on our organizational will and ability to take action. We surpassed the profit and financial stability targets that were announced at the beginning of fiscal 2009 by showing the true strength of our substantive risk management capability that balances both quantitative and qualitative elements. We have demonstrated our ability to control the balance sheet as we see fit, and this experience will become a driver for future growth.

How will you manage risk specifically in the future?

Going forward, ORIX will focus on “Finance + Services” and further develop the value-added services it provides to its clients. This development will require us to enhance both operational efficiency and quality control of the services that we provide. Risk will diversify as both client needs and parties involved with each transaction diversify. The global expansion of our services will require us to create an infrastructure that fully responds to the culture and business practices of each region. Although we will face different risks than we had in the past, the management of these new risks is the key to sustainable growth. There is no absolute answer for risk management; rather, one must manage as one sees fit. We must ask ourselves questions such as, ‘What is our aim as a corporate group?’ ‘What risks should we take to achieve this?’ and ‘How will we control these risks?’ By considering and responding to each of these questions individually, we can further reinforce proper risk management. ORIX will achieve steady growth by refining our ability to assess risk, taking risks befitting ORIX and maintaining our flexibility.