

A Message from the CFO

Risk Management and Financial Strategies that Support Future Growth

Haruyuki Urata

Director, Representative Executive Officer
Deputy President and Chief Financial Officer



Taking Good Risk by Leveraging Expertise

During the financial crisis, witnessing the vulnerability of the capital markets, we learned the difficulty of having 100% faith in markets. It was an environment that saw similar companies across the world experience the hardship of bankruptcy, but I think the reason that ORIX survived is because its risk management was functioning. Even so, the crisis had no small effect on us and led to renewed recognition of the need to respond cautiously to the markets and for even more thorough risk management.

ORIX aims for growth by accelerating “Finance + Services.” It is our intention to capture profit not by simply growing profits by expanding our scale through funding from the capital markets but rather by deepening the fields in which we can leverage our expertise and adding the experience and know-how we have cultivated until now. To grow, it is necessary to take good risk. However, not all of the risks we take will lead to good results. It is necessary to continually polish our expertise so we can determine which risks we should take and, in the case it becomes necessary to withdraw, to have the expertise to accurately make decisions regarding a situation.

At ORIX, even investment transactions of small amounts are decided by top management. At the time of each transaction, through discussion with those at the staff level, we are constantly transmitting the spirit of taking good risk from the top management to the whole group and, in response, staff work hard to discover good risk.

Since our establishment, there has not been any change in our position of carefully checking transactions one by one, but as a result of the diversification of our business, the importance of portfolio management has increased even more. Furthermore, with the addition of Robeco to the ORIX Group, we feel that the opportunities for us to take good risk have widened. We execute risk management from various perspectives, including at the individual transaction level and the portfolio level, in order to achieve growth.

Financial Strategies that Support Future Growth

In terms of funding, ORIX continues to have a stable and robust financial base by maintaining a high level of long-term debt from various funding sources including such funding measures as borrowing from financial institutions, the issuance of bonds in various markets and funding from ORIX Bank's deposits.

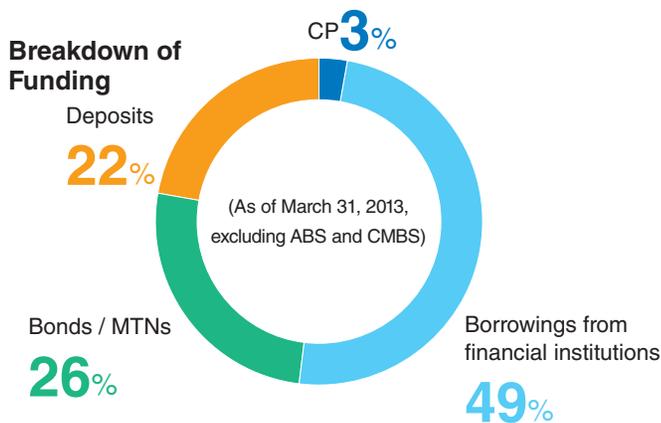
With respect to funding, we are implementing the following measures to strengthen our financial standing: (1) Diversification of Funding, (2) Longer Maturities and Staggered Redemption Dates and (3) Maintaining Sufficient Liquidity.

In the fiscal year ended March 31, 2013, we conducted the following measures:

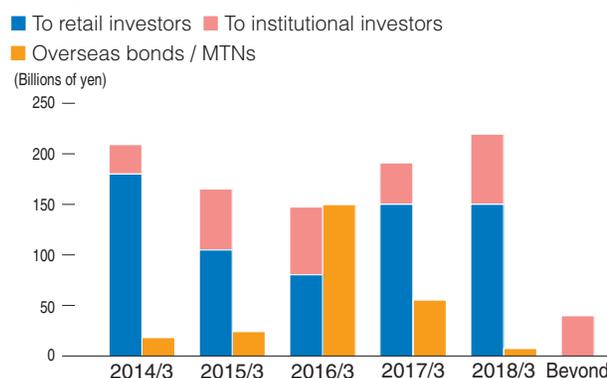
- (1) **Diversification of Funding:** We issued bonds in new overseas markets, increased the amount of bonds issued overseas and distributed foreign currency denominated medium-term notes (MTNs) in the Japanese capital market.
- (2) **Longer Maturities and Staggered Redemption Dates:** We lengthened our borrowing from financial institutions, promoted the issuance of bonds with longer maturities in Japan, reduced risk in refinancing by leveling out the annual redemption amount both in borrowing from financial institutions and bonds, and maintained the long-term debt ratio at a level close to 90%.
- (3) **Maintaining Sufficient Liquidity:** The liquidity coverage ratio with respect to our short-term marketable liabilities, namely bonds and MTNs maturing within one year and commercial paper (CP), is 295%.

We will continue to promote the above measures from (1) to (3) in the fiscal year ending March 31, 2014.

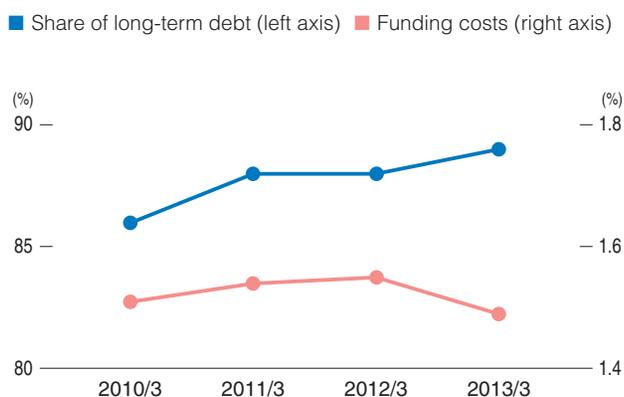
We will maintain liquidity on-hand at around ¥1 trillion and/or a liquidity coverage ratio around 200%. We will issue domestic bonds to smooth out the maturity ladder and to make the annual redemption around ¥200 billion. In addition, we will promote lengthening of funding terms to match increased investment in our environment and energy business, which requires long-term funding.



Straight Bond Maturity Ladder (As of March 31, 2013)

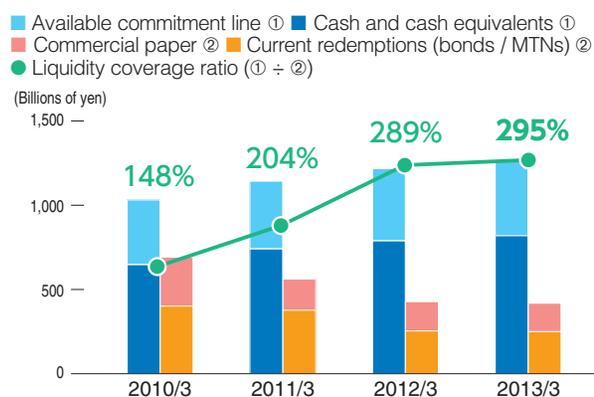


Trends in the Share of Long-Term Debt* and Funding Costs



*Share of Long-Term Debt shows the ratio after adjustment, which excludes the influence of certain liabilities attributable to the consolidation of VIEs. For an adjustment sheet of the most directly comparable financial indicators calculated and presented in accordance with US GAAP and non US GAAP financial indicators, please refer to p.71-72

Liquidity versus Short-Term Liabilities



For further details regarding Risk Management, please refer to p. 47