ORIX Value Creation

5 Concepts of Value Creation

Bold Strategies, Cautious Execution

Identify “good risk” by applying bold ideas and cautious management decisions

Since ORIX is an independent enterprise that does not belong to any business groups, we are able to freely devise bold strategies. But at the same time, we are extremely cautious in our assessment of risks. We do not take risks in businesses in which we lack expertise. When making business decisions, we constantly bear in mind the saying “Tap a stone bridge twice before crossing it” and apply sophisticated expertise to identify “good risk,” defined as necessary risks that should be taken to achieve growth.

Diligent Efforts

Capture new growth opportunities through diligence and persistence

At ORIX, diligence is the watchword for every project. We not only meticulously perform screening and due diligence before making loans and investments, but also closely monitor the transactions in which we engage. If a project does not progress as anticipated, we apply the Group’s collective wisdom and persevere to find a way to advance to the next stage. Expertise cultivated through our diligent and persistent approach allows us to exploit new growth opportunities.
Venturing into Neighboring Areas

Leverage expertise to repeatedly take on new challenges

Although ORIX was founded as a leasing company, we transcend the conventional boundaries of a leasing enterprise. Over the years, we have flexibly expanded our business into neighboring fields and cultivated wide-ranging expertise. When we hone our expertise in one field, an adjacent field comes into view. Repeatedly venturing into new adjacent fields to meet the needs of our customers has allowed us to build a diverse business portfolio organically. By diversifying our business portfolio, we have achieved a high degree of stability in risk management.

Seamless Coordination

Collaboration among business segments create “Answers, Custom Fit.”

As a result of flexibly responding to various events and pursuing business diversification and geographical expansion, ORIX has evolved into a group comprising a number of independent businesses. What ORIX is pursuing is not a conglomerate, but a corporate group where each team collaborates in multi-faceted approach to form a united team deploying unrivalled collective strength. We are seamlessly coordinating to connect the characteristics of each business segment by performing as a team devoted to the creation of new value.

Keep Mixed

Diverse people as a whole fuel creativity of ORIX

At ORIX, we believe that people are our most important asset. Inspired by the “Keep Mixed” concept, employees with distinctive expertise, regardless of nationality, age, sex and work history, all work together, melding their knowledge and stimulating one another to create new value. In seeking to cultivate fulfilling workplaces where all employees are able to bring their capabilities into full play, we value diverse work styles. Moreover, as part of a concerted effort to strengthen development of human resources capable of succeeding in the global arena, we are offering opportunities to people who relish a challenge.

>>> Please refer to p.17 for details.

>>> Please refer to p.18 for details.
Although ORIX started out in the leasing business, the breadth and depth of our expertise has increased along with the growth of our business. We are applying newly acquired expertise in our drive to expand the scope of our business.

From Mortgage Loans to Real Estate Development/Rental and Facilities Operation
Leveraging the expertise in finance accumulated through its leasing businesses, ORIX initiated a mortgage loan business in the 1970s. In 1986, we started the rental of dormitory accommodation for single individuals, and in 1993, we launched the sale of condominiums. Now we engage in the development and leasing of various properties, including office buildings, logistic centers, and commercial facilities. In the 2000s, we became involved in the facilities operation business when we provided support for the rehabilitation of hotels and Japanese inns. As of March 31, 2014, we operate a total of 102 facilities, including hotels, Japanese inns, aquariums, golf courses, training facilities, nursing homes, a multipurpose stadium and a theater.

From a Means of Financing to Compliance, Environment, and Risk Management Consulting
ORIX started offering automobile leases in the 1970s and now enjoys the No. 1 position in the domestic automobile leasing market, with 1,080,000 vehicles under management as of March 31, 2014. Initially, customers used automobile leases for financing and cost reduction. As their purpose was gradually diversified to include outsourcing and compliance, we responded by tailoring our services to their needs. The current representative service of ORIX is called Telematics, or e-Telema, which helps customers manage risks, by preventing dangerous driving and minimizing traffic accidents based on an analysis of driving data from a special device mounted on each vehicle.
Collaboration among business segments create “Answers, Custom Fit.”

A defining characteristic of ORIX is the seamless coordination among business units that enables each business to enhance its capabilities and apply them to the maximum effect for the Group. We create “custom fit answers” through coordination of expertise, to deliver new value to customers.

Yoichi Suzuki
Representative Director and Vice President

Keiichi Takano
President

Nippon Zenyaku Kogyo Co., Ltd.

Nippon Zenyaku Kogyo, known by the corporate brand name of ZENOAQ, is a leading company offering more than 400 kinds of veterinary pharmaceutical products in Japan for production animals, including cows, pigs and chickens, and companion animals, including dogs and cats. Based on the expertise we have accumulated, the range of business is expanding to include the life science field, such as regenerative medicine.

The relationship with ORIX began about two years ago when we started to use its automobile leasing service. The relationship deepened when they helped us solve a problem regarding the property we owned. Last year, we were advised by ORIX to introduce a corporate pension plan (selective benefit–defined pension plan), which we are considering as a way to enhance our benefits package for employees. Recently, we were also advised to reduce the rent for offices and rented apartments provided by the company, and presented with ideas on how to utilize idle land of the company. That made us realize again how extensive the range of ORIX products and services was.

We rely on ORIX as a good business partner that will continue to offer problem-solving proposals that are beneficial to us from a comprehensive perspective.

http://www.zenoaq.jp

ARATA CORPORATION

We are a leading wholesale company supplying cosmetics and daily necessities to drugstores, home centers, supermarkets, convenience stores, etc., in Japan. Capitalizing on our national and local networks, we offer product and market information to the manufacturers we purchase from and the customers we sell to, thereby contributing to helping people lead valuable lives.

Our relationship with ORIX has continued for more than 10 years since we began using the leasing service for our vehicles. Last year, we were advised to install solar panels on the rooftop of our logistics centers, which led to the installation of panels at two centers in Saitama and Kanagawa out of nine throughout the nation with a total generating capacity of 0.9 MW. We are also partially shifting the ownership of more than 600 forklifts to leases.

To enhance profitability, we focus on strengthening the capabilities of product development and specialized support for customers’ sales activities, as well as expanding overseas businesses. To increase productivity, we are conducting measures to boost the efficiency of our logistics systems and reduce indirect costs. The introduction of solar panels and lease contracts for part of the forklifts we own will help reduce indirect costs. We hope that ORIX will continue to offer optimal proposals that address customers’ challenges, such as increasing profitability and productivity, toward the goals shared with the customers.

http://www.arata-gr.jp/
Increase the corporate value through stable realization of above 2.5% ROA and 10% ROE

ORIX aims to achieve growth in profits and cash flows based on the foundation of diversified business portfolio, appropriate ratings, and robust financial base, and increase corporate value through stable realization of above 2.5% ROA and 10% ROE.
Growing Stable Revenues

Base Profits (segment total) (Billions of yen) and Base Profit Yield (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Base Profits</th>
<th>Base Profit Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/3</td>
<td>118.6</td>
<td>1.8</td>
</tr>
<tr>
<td>2011/3</td>
<td>148.3</td>
<td>2.3</td>
</tr>
<tr>
<td>2012/3</td>
<td>173.1</td>
<td>2.8</td>
</tr>
<tr>
<td>2013/3</td>
<td>194.7</td>
<td>3.1</td>
</tr>
<tr>
<td>2014/3</td>
<td>228.8</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Base revenues (base profits before deducting SG&A) are separated into service-related and interest-related revenues. A significant increase was seen in service-related revenues due to the consolidation of Robeco in the FY2014.

The composition of service-related revenues varies in a wide range, which demonstrates the fact that ORIX holds various sources of revenue and that “Finance + Services” strategy is in progression.

Steady Increase in Base Profits and Improved Base Profit Yield

Base profits steadily increased due to factors such as increase in interest revenues, expansion of fee-related business and the consolidation of Robeco. Base profit yield is also increasing steadily.

- Base profits refer to segment profits excluding capital gains, provisions and impairments.
- Base profit yield is the base profits divided by the average balance of segment assets.

Progress in Acceleration of “Finance + Services”

Base Revenue Breakdown (Billions of yen)

<table>
<thead>
<tr>
<th>Year</th>
<th>Service-related revenues</th>
<th>Interest-related revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/3</td>
<td>340.7</td>
<td>199.0</td>
</tr>
<tr>
<td>2011/3</td>
<td>360.3</td>
<td>207.3</td>
</tr>
<tr>
<td>2012/3</td>
<td>377.8</td>
<td>226.2</td>
</tr>
<tr>
<td>2013/3</td>
<td>419.5</td>
<td>256.5</td>
</tr>
<tr>
<td>2014/3</td>
<td>544.6</td>
<td>382.0</td>
</tr>
</tbody>
</table>

Increase in Service-Related Revenues within Base Revenues

Base revenues (base profits before deducting SG&A) are separated into service-related and interest-related revenues. A significant increase was seen in service-related revenues due to the consolidation of Robeco in the FY2014.

The composition of service-related revenues varies in a wide range, which demonstrates the fact that ORIX holds various sources of revenue and that “Finance + Services” strategy is in progression.

- Service-related revenues: Include operating leases revenues, life insurance premiums, other operating revenues, etc. (corresponding expenses have been deducted)
- Interest-related revenues: Include direct financing leases revenues, interest on loans and investment securities, equity in net income (loss) of affiliates, etc.

* Interest expense is divided according to the proportion of interest-related assets and service-related assets and deducted from both revenues categories.
ORIX Value Creation

A Look at Our Assets and ROA

**Total Segment Assets**
- Revenues steadily increased along with the expansion of assets, while ROA also increased before the financial crisis.
- ROA made a substantial decline due to significantly reduced assets in response to the financial crisis during the FY2009.3.
- ROA improved while continuing to reduce assets mostly in the Real Estate segment since the FY2010.3.
- Resumed asset expansion driven mainly by the Retail and Overseas Business segments since the FY2013.3.

![Graph showing Total Segment Assets trend](image)

*Net Income Attributable to ORIX Corporation Shareholders / Average Segment Assets (total)*

**Corporate Financial Services**
- Restrained new transactions by strengthening project selection since the FY2009.3, which resulted in decrease in segment assets.
- ROA has improved steadily with a decrease in provisions and increased fee revenues.
- Aim to improve ROA by shifting to “Finance + Services” and strengthening Group RM capability.

![Graph showing Corporate Financial Services trend](image)

**Maintenance Leasing**
- Maintained a high ROA compared with other business segments and a certain level of asset size as the impact from financial crises was limited.
- Reduced maintenance costs and SG&A expenses to further strengthen profitability in recent years.
- Aim to further increase asset balances while maintaining a high level of profitability.

![Graph showing Maintenance Leasing trend](image)

*Segment Profits (After Tax) / Average Segment Assets*
Our business portfolio for the past decade has undergone tremendous changes. Since the financial crisis, we have been streamlining each business segment’s asset scale and continuously improved ROA. We aim to further improve ROA by pursuing to earn fees by providing services or earning revenues through our own operations.

Real Estate

- Due to the financial crisis, ROA fell to under 1% from the 3% level before the crisis.
- Provisions and impairments decreased substantially to improve ROA in the FY2014.3.
- Aim to improve ROA by expanding fee business and fortifying and broadening facilities operation business while continuing to reduce asset balances.

Investment and Operation

- Posted a loss on equity method affiliates and a valuation loss on investment in affiliates in the FY2009.3.
- Posted a large valuation gain due to the consolidation of Daikyo in the FY2014.3.
- Aim to expand assets by seizing various investment opportunities centered on the environment and energy business and the investment business.

Retail

- Maintain stable revenue base in this segment with a relatively low ROA compared with other segments.
- Asset balance for the FY2015.3 is expected to increase significantly as a result of the acquisition of Hartford Life Insurance K.K.
- Strive to increase ROA by expanding the life insurance and card loan businesses.

Overseas Business

- Posted profit even under the financial crisis thanks to diversified businesses which effectively contributed to the results.
- Witnessed an increase in profit for five consecutive years since the FY2010.3. Robeco made a significant contribution in the FY2014.3 and is expected to make continuous contribution to profit onward.
- Work to maintain a high ROA by expanding leasing assets in Asia and broadening fee business, among others, in the Americas.