

Management Strategies

ORIX's Business Portfolio

In 36 countries and regions, ORIX conducts a diverse array of businesses including leasing, loan, investment, life insurance, banking, asset management, auto-related business, real estate, and environment and energy. We manage this business portfolio by dividing it into six segments (Table 1).

To better comprehend ORIX's mid-term strategic directions, growth trajectories and business evolution, in FY2016.3 we also began grouping the business portfolio into the three categories of "Finance," "Operation" and "Investment" (Table 2).

We believe that the combined picture of the three categories together with the six segments allows a deeper understanding of ORIX (Table 3).

Table 1: Six Segments

ORIX currently manages its businesses in a portfolio divided into six segments.

Segment	Main Business
Corporate Financial Services	Leasing, loan and fee business for small and medium-sized enterprises (SMEs)
Maintenance Leasing	Auto-related, test and measurement instruments and other equipment rental
Real Estate	Real estate development and rental, facilities operation, REIT asset management, real estate investment and advisory services
Investment and Operation	Environment and energy business, private equity investment, concessions, loan servicing
Retail	Life insurance, banking, card loan business
Overseas Business	Leasing and loan through overseas subsidiaries, aircraft and ship-related operations, private equity investment, investment in bonds, asset management

Table 3: Our Business Portfolio Matrix of Six Segments and Three Categories

The following table presents ORIX's business portfolio matrix of six segments and three categories.

		Finance		
		Credit risk		
		Low		
		Japan	Ex-Japan	Environment / Infrastructure
Six Segments	Corporate Financial Services	Leasing / Loan / Fee business		
	Maintenance Leasing			
	Real Estate			Real estate facility operation
	Investment and Operation			Environment and energy / Concession
	Retail	Banking / Consumer finance / Guarantee		
	Overseas Business		Leasing / Loan	

Table 2: Three Categories

From FY2016.3, we began grouping our business portfolio into three categories that take risk and capital requirements into account.

Three Categories	Main Risk	Capital Requirement	Main Business
Finance	Credit risk	Low	<ul style="list-style-type: none"> Primarily business involving credit risk, including leasing, loan, housing loans and card loans in Japan and overseas Includes most of the Corporate Financial Services segment, banking and consumer finance businesses in the Retail segment, and the overseas corporate business in the Overseas Business segment
Operation	Operation risk Business risk	Medium - High	<ul style="list-style-type: none"> Environment & Infrastructure: Real estate facilities operation, environment & energy, concessions and other businesses we assume operation for Financial Services: Asset management business and life insurance business Maintenance Services: Auto-related businesses and the rental business
Investment	Market risk	High	<ul style="list-style-type: none"> Fixed Income: Investments in non-performing loans and bonds Tangible Assets: Investment in real estate, aircraft, and ships Equity: Private equity investments in Japan and overseas, new business that we will launch and grow

Three Categories

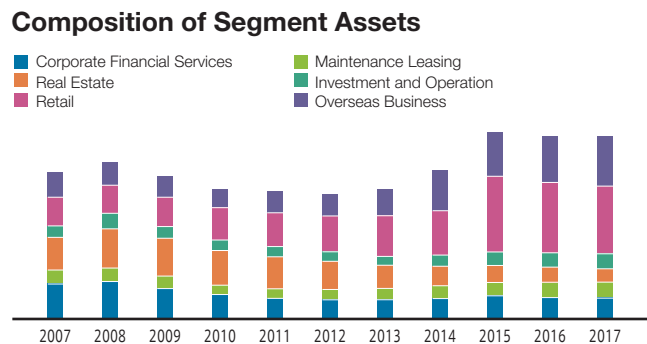
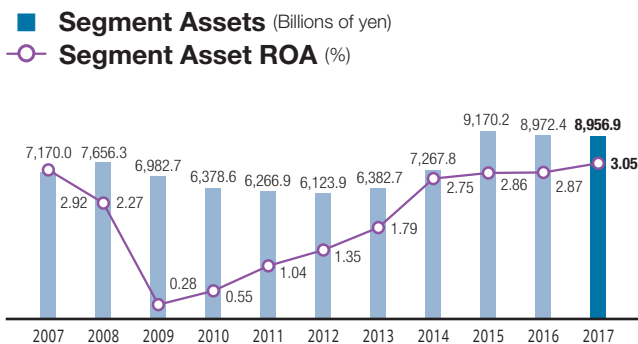
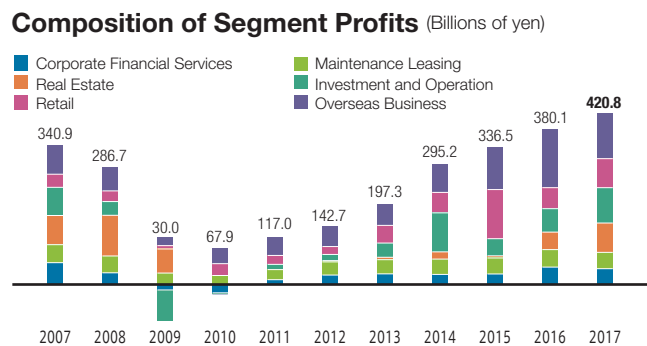
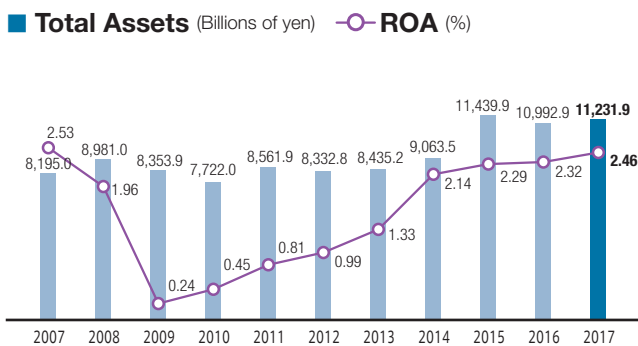
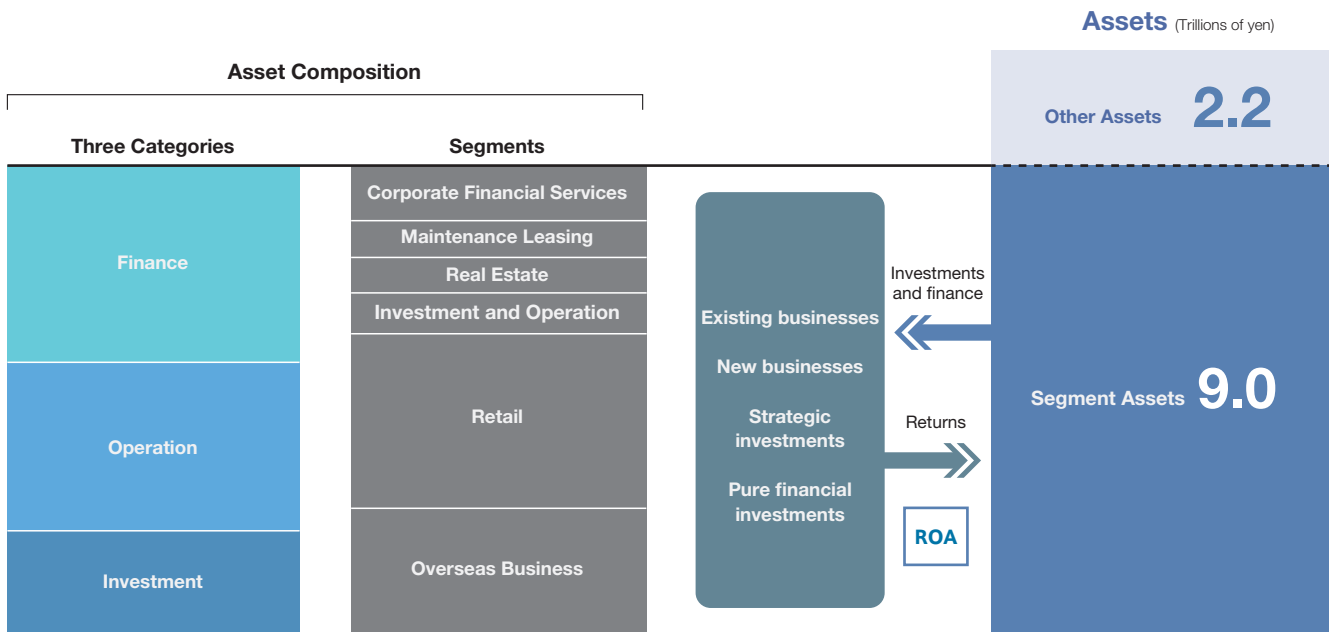
Operation			Investment		
Operation risk and business risk			Market risk		
Medium - High			High		
Financial Services	Maintenance Services	Others	Fixed Income	Tangible Assets	Equity
		Yayoi			New business development
	ORIX Auto / ORIX Rentec				
REIT / Real estate investment advisory				Real estate investment	
			Loan servicing		Private equity investment / Daikyo
Life insurance / HLIKK					
Asset management / Houlihan Lokey			Bond investment	Aircraft / Ships	Private equity investment

Management Strategy

ORIX from a Balance Sheet Perspective (As of March 31, 2017)

Assets

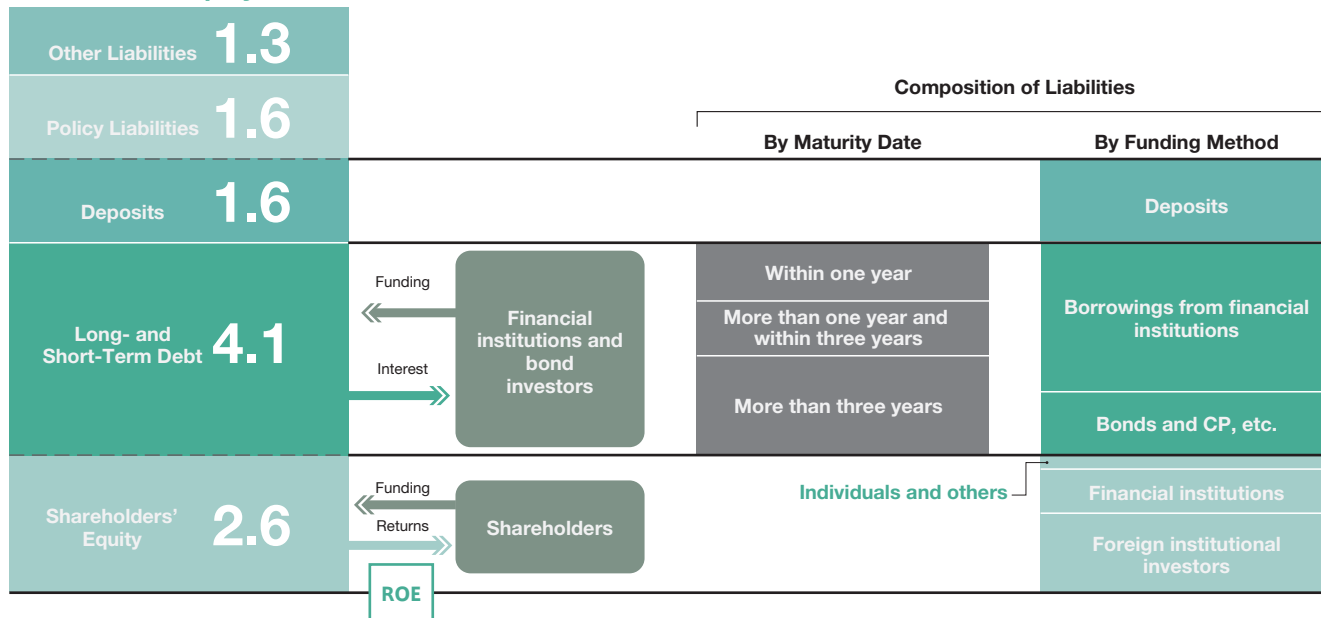
- “Finance,” “Operation,” and “Investment” in the ratio of 2:2:1.
- Continue to focus on “Operation” and “Investment” given the current low-interest-rate environment.



Liabilities and Shareholders' Equity

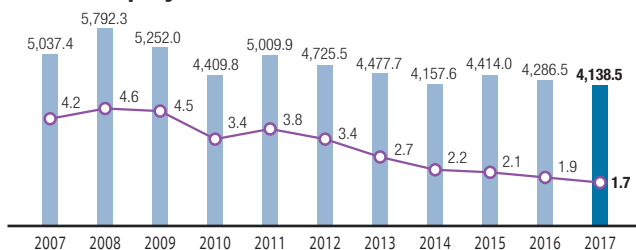
- Diversify funding sources and lengthen funding structure.
- Based on financial leverage that enables us to maintain our single A credit rating, we aim to achieve ROE of 11%-12%.

Liabilities and Shareholders' Equity (Trillions of yen)



Long- and Short-Term Debt (excluding deposits) (Billions of yen)

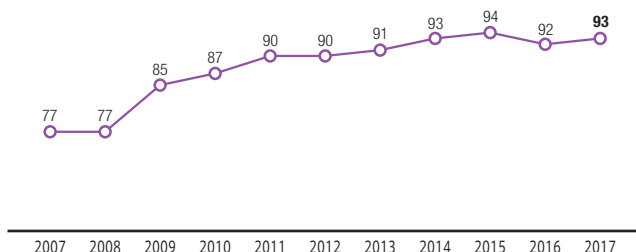
Debt/Equity Ratio (Times)



ROE (%)

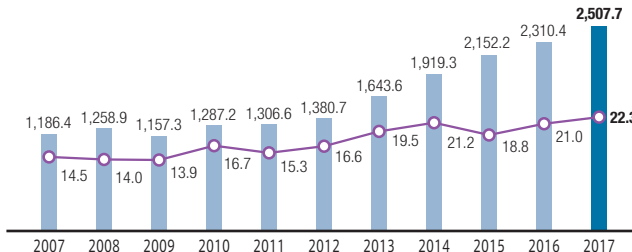


Share of Long-Term Debt (%)



ORIX Corporation Shareholders' Equity (Billions of yen)

Shareholders' Equity Ratio (%)



Management Strategy

Segment Overview



Corporate Financial Services



Businesses

Loan, leasing and fee business

Strengths and Advantages

Corporate Financial Services serves as a core sales platform for the Group, providing leases and loans to companies using its sales network throughout Japan. It also aggregates Group product and service information and is a single source for addressing all customer needs including business succession and overseas market entry.



Maintenance Leasing



Businesses

Automobile leasing and rentals, car-sharing, and test and measurement instruments and IT-related equipment rentals and leasing

Strengths and Advantages

Our auto-related business offers a comprehensive service lineup ranging from leasing, car rental, and car sharing to used car sales and fleet management services. Our rental business offers a wide variety of rental products for timely delivery of the equipment customers need.



Real Estate



Businesses

Real estate development and rental, facility operation, REIT asset management, and real estate investment and advisory services

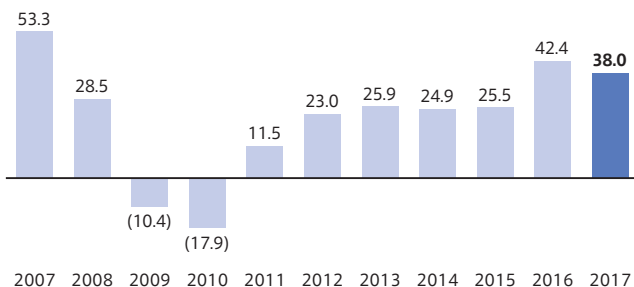
Strengths and Advantages

We fully leverage the Group network in developing and leasing properties including office buildings, commercial facilities and logistics centers, and are also involved in asset management. In addition, we operate various facilities including hotels, Japanese inns, aquariums, senior housing and golf courses, and provide high-quality services.

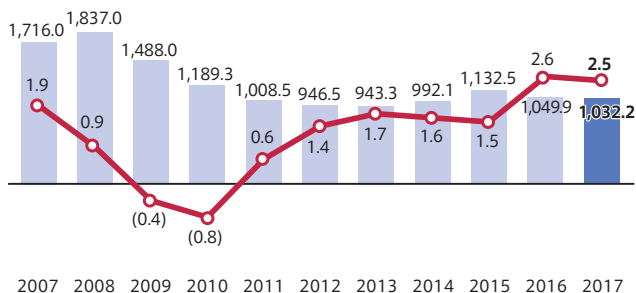
Segment Profits and Assets

Installment loans decreased because we selected projects with an emphasis on profitability, and finance revenues decreased. However, services income increased because of our focus on fee businesses.

Segment Profits (Billions of yen)



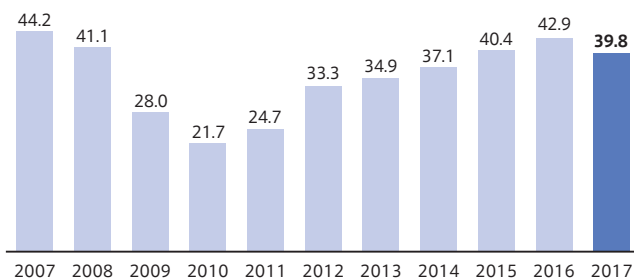
Segment Assets and Segment ROA (Billions of yen and %)



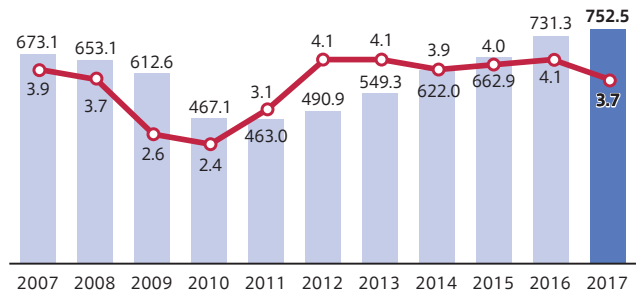
Segment Profits and Assets

Assets increased in the auto-related business, although profits from operating leases, including used car sales, decreased. ROA remains high.

Segment Profits (Billions of yen)



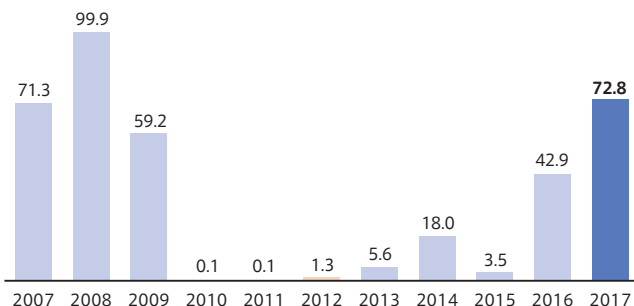
Segment Assets and Segment ROA (Billions of yen and %)



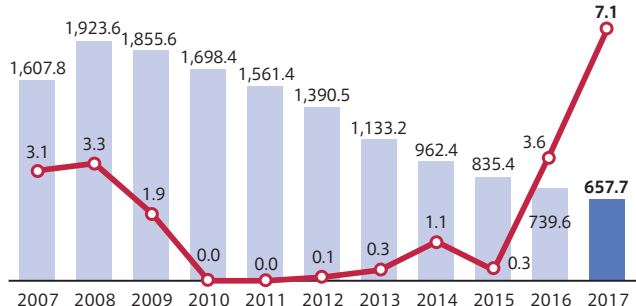
Segment Profits and Assets

Gains on sales of rental properties increased. Services income in the facilities operation business increased steadily, supporting significant earnings growth.

Segment Profits (Billions of yen)



Segment Assets and Segment ROA (Billions of yen and %)





Investment and Operation



Businesses

Environment and energy, principal investment, loan servicing (asset recovery), and concession

Strengths and Advantages

ORIX is a comprehensive energy services provider that operates in the renewable energy business and the electric power retailing business. Our solar power generation business is a leader in Japan with secured capacity of about 990MW. In addition, we make private equity investments both in Japan and overseas, and utilize the expertise of the Group to improve the corporate value of investees.



Retail



Businesses

Life insurance, banking and card loan

Strengths and Advantages

Our life insurance business offers simple and easily understood products, primarily through agencies and mail order sales. Our banking business specializes in markets such as housing loans, while our card loan business leverages credit expertise in other businesses to offer card loan guarantees to other financial institutions.



Overseas Business



Businesses

Leasing, loan, bond investment, asset management and aircraft and ship-related operations

Strengths and Advantages

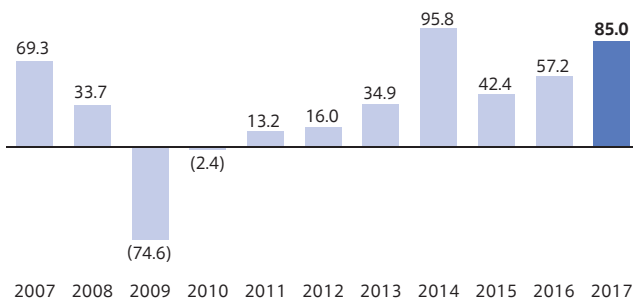
We launched overseas operations in Hong Kong in 1971, and now have an overseas network with 700 operational bases in 35 countries and regions around the world, excluding Japan. In Asia, we are developing locally rooted financial services businesses. We also leverage our expertise to operate globally in the asset management, aircraft and ship-related businesses.

Segment Overview

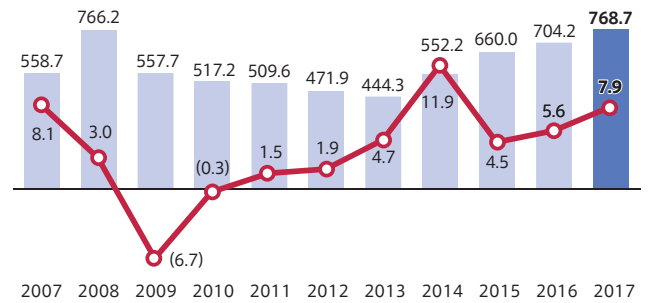
Segment Profits and Assets

The environment and energy business expanded steadily. Gains on sales of private equity investments drove growth in revenues. The concession business (Kansai Airports) performed well.

Segment Profits (Billions of yen)



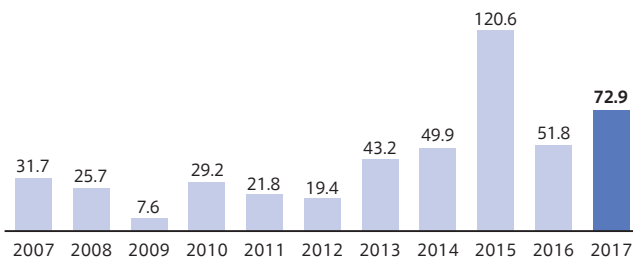
Segment Assets and Segment ROA (Billions of yen and %)



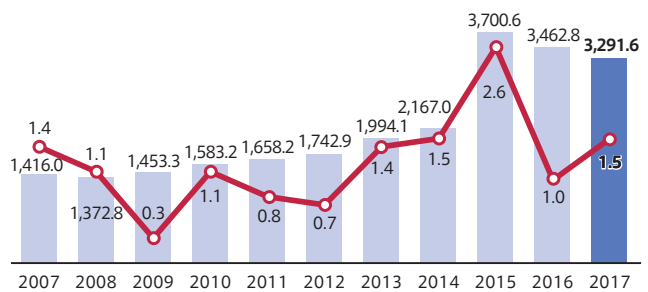
Segment Profits and Assets

Life insurance premiums and related investment income increased due to growth in new insurance policies and sale of investment in securities. Finance revenues increased and ROA improved because the balance of housing and card loans increased.

Segment Profits (Billions of yen)



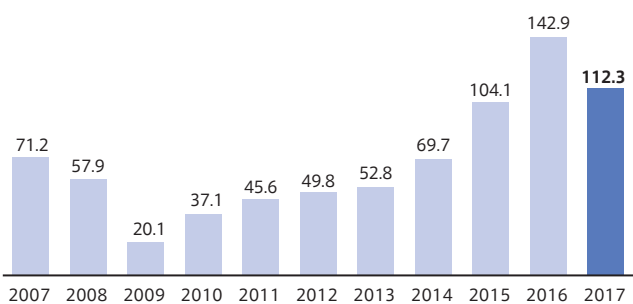
Segment Assets and Segment ROA (Billions of yen and %)



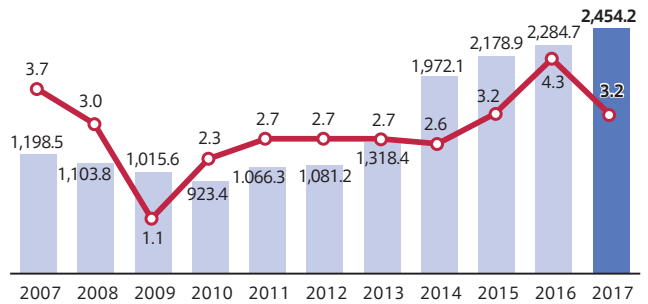
Segment Profits and Assets

Revenues grew strongly in the aircraft-related and asset management businesses. Income decreased year on year absent the gain on the divestiture of shares of Houlihan Lokey, Inc. in connection with its initial public offering in FY2016.3.

Segment Profits (Billions of yen)



Segment Assets and Segment ROA (Billions of yen and %)



Management Strategies

CEO Inoue on Strategy

Proactive Investment for Growth Stable Income Growth in Operation and Investment



Makoto Inoue

Director
Representative Executive Officer
President and Chief Executive Officer

Overview of FY2017.3

FY2017.3 was the second year of our medium-term plan. We achieved a new record for net income, and the eighth consecutive year of net income growth. Return on equity (ROE) was 11.3%, and above 10% for the fourth consecutive year. We therefore made solid progress toward our FY2018.3 target for net income of ¥300 billion.

As planned, we also demonstrated our financial soundness by maintaining our single A credit rating.

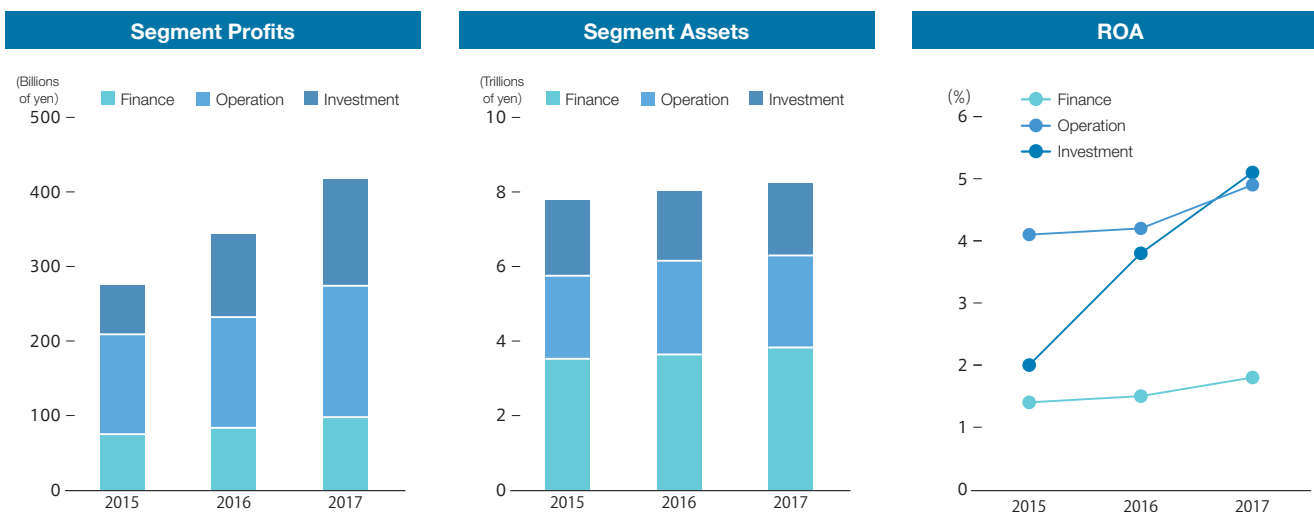
During FY2017.3, we expanded our businesses in the Operation category through new investment in the environment and energy business and the concession business in the Environment/Infrastructure subcategory and in the asset management business in the Financial Services subcategory. We also steadily added assets in our existing auto-related business and life insurance business. Thus we were able to enhance our platform for stable growth.

In the Investment category, by making a diverse array of new investments in Japan and overseas and exiting existing investments, we have established a cycle for generating stable earnings while turning over assets.

In the Finance category, we countered the difficulties generating growth due to the low interest rate environment in Japan by improving profitability in the form of providing solutions. At the same time, we have been looking for opportunities by entering new business fields such as agriculture.

New investment during FY2017.3 totaled over ¥600 billion. We did not make any massive investments, but made steady progress in planting the seeds for growth with an emphasis on the Operation and Investment categories. We filled out our investment pipeline in Japan and abroad, and will continue to invest proactively in growth.

Results in Our Three Categories



Note 1: Operation for FY2015.3 excludes bargain purchase gains (approximately ¥36.1 billion) and ordinary profit/loss contribution associated with HLIKK, and capital gains (approximately ¥15 billion) from the sale of Monex shares.

Note 2: Operation for FY2016.3 excludes capital gains/valuation gains (approximately ¥39.6 billion) associated with the IPO of Houlihan Lokey and ordinary profit/loss contribution from HLIKK.

Note 3: Operation for FY2017.3 excludes ordinary profit/loss contribution from HLIKK.

New Investment in Key Areas in FY2017.3: Over ¥600 Billion

Operation	Environment/Infrastructure About ¥90 billion	<ul style="list-style-type: none"> The environment and energy business expanded in Japan and is also investing overseas Japan: Additional investment in mega-solar and other, acquisition of industrial waste disposal site Overseas: Investments in hydropower in Vietnam and solar power generation in India Ongoing assessment of airport, water supply and sewerage concession projects in Japan
	Financial Services About ¥60 billion	<ul style="list-style-type: none"> Robeco Groep N.V. became a wholly owned subsidiary New investments in the Americas (Boston Financial, RB Capital)
Investment	Fixed Income About ¥160 billion	<ul style="list-style-type: none"> Primarily investments in municipal bonds and CMBS in the Americas
	Tangible Assets About ¥210 billion	<ul style="list-style-type: none"> Purchased 31 aircraft, mainly narrow-body Invested in secured ship loans held by The Royal Bank of Scotland plc New investments in logistics centers and others
	Equity Investment About ¥80 billion	<ul style="list-style-type: none"> Concentrated on new business opportunities expected to result from changing social needs Japan: Manufacture of veterinary drugs, manufacture of electronic materials, health check clinic operation, funeral services Americas: Traffic safety services and products, waterworks maintenance Greater China: Funeral services, solar power generation business

For FY2018.3 and the Subsequent Three Years Growth Strategy and Focus Areas

The FY2018.3 net income target of our three-year management plan is ¥300 billion, by which we can achieve net income growth for the nine consecutive years ending March 2018. We anticipate that we will be able to generate earnings from our existing portfolio and from gains on sale when we turn assets over. We also expect new investments, which will contribute to earnings. However, net income of ¥300 billion is not an endpoint for ORIX, so we will continue to invest in stable growth in FY2018.3 and beyond and structure our portfolio to be the

foundation for our next three-year plan.

We will continue to focus on Operation and Investment in the next plan as we grow stable earnings and proactively enter new markets to nurture our next core businesses.

Operation is positioned as our growth driver and source for new and stable earnings. We will engage in M&A and expand new investment.

In the environment and energy business, we will make steady progress in our solar power generation business in Japan and operate it consistently. Concurrently, one key to further growth will be using the expertise we have acquired to expand businesses overseas, particularly in the United States and Asia. We are already participating in the wind power business in India, the hydropower business in Vietnam, and the solar power generation business in the United States.

In the asset management business, during FY2017.3 we acquired Boston Financial in the United States and RB Capital in Brazil. We expect them to complement Robeco and Mariner and increase stable earnings. We will proactively explore potential acquisitions and intend to increase the scale of these businesses. Price will naturally be a key consideration in acquisitions, but we will place even more importance on adding capabilities that ORIX currently does not have and achieving a good fit with our investment philosophy. We are particularly interested in opportunities for acquisitions in Europe, especially the United Kingdom.

The concession business has been doing well for more than a year since we invested in Kansai Airports. Various concession projects are soliciting bids in Japan, including airports, roads and waterworks, and we will be an active participant in that process. We are reinforcing the operating structure of Kansai International Airport and Osaka International Airport, and acquiring expertise, which we will deploy in future projects. We also intend to complement concessions in Japan with projects overseas.

Our auto-related business is number one in Japan, and we intend to keep it there largely by adding to our menu of value-added services. Automobile demand also has room to grow in Asia, so we will leverage our expertise in Japan to build our auto-related business globally.

Our real estate business will establish the ORIX brand in the facilities operation business and increase cash flow. We will also concurrently develop new Japanese inns and hotels, and intend to stabilize cash flow ahead of the Tokyo Olympics and Paralympics in 2020. In addition, we will expand the scale of the fee businesses such as asset management of a REIT and real estate investment and advisory services. In this way, we will structure a portfolio that is resilient to the impact of market conditions.

The life insurance business generated steady growth in the number of individual policyholders, which grew at a double-digit rate for the 11th consecutive year as of March 31, 2017. We will continue to grow by offering products that meet customer needs, enhancing sales channels, and improving customer satisfaction.

Investment businesses provide us with opportunities to develop new businesses. We have a diverse investment pipeline, and will be focusing on the right entry price and exit timing as we continue to turn over assets.

We have performed well in private equity investment in Japan and cultivated great people. We will leverage our expertise and business platform to concentrate on investments that only ORIX can handle, including business succession support that builds corporate value, business revitalization, and roll ups.

Overseas, we expanded private equity investment in the United States during FY2017.3. Since aging roads, waterworks and other public infrastructure are matters of concern, we invested to capture demand for public infrastructure-related services, and we will continue to expand our strategic private equity investment business in the United States.

We are steadily expanding the scale of our aircraft business. We will add assets in the future based on an approach of investing in aircraft with leases, with a focus on narrow-body aircraft. We will also concentrate on increasing opportunities for gains on sale and fee income from asset management by selling aircraft to Japanese investors and offering management services for those aircraft.

Finance represents our core customer base and is a source of information.

We will increase services income by expanding fee-related services. In addition, we aim to broaden our customer base by identifying services that customers need and offering optimal solutions.

We are taking the initiative in new businesses created by social needs and deregulation, such as agriculture and healthcare. We are also taking on the challenge of new businesses in fields such as artificial intelligence (AI) and the Internet of Things (IoT) to build them into new core businesses for ORIX.

ORIX's corporate financial services business has a network throughout Japan and also serves overseas customers, mainly in Asia. This network is exceptionally valuable and important. Our financial knowledge is the linchpin of all our efforts. Our perspectives in Finance empower decisions in Operation and Investment, which is one of our strengths. We analyze Operation and Investment from the perspective of credit decisions, which is an approach unique to ORIX. Therefore, I have no intention of exiting Finance. Our network and financial knowledge will remain a groupwide platform, and we will use these strengths to capture earnings consistently from changes in the interest rate environment.

Value Creation for Future Growth

Three Categories	Roles	Strategies	Main Businesses
Operation	Growth driver, source of stable earnings from new businesses	Expand through M&A and new investment	Environment and energy, asset management, concession, auto-related, facilities operation, life insurance
Investment	New business creation	Leverage full pipeline for turnover by investing aggressively in new assets and selling existing assets	Private equity investment in Japan and abroad, aircraft
Finance	Customer base and source of information	Expand services income and take on the challenge of new businesses	Corporate financial services, new businesses including AI and IoT

Our Approach to Investment A Strategy That Supports Sustainable Growth

ORIX has made various investments both in Japan and overseas, and we will continue to invest proactively to expand our business. The key to investment is a sharp focus on entry price. Whether we are making a strategic or a pure financial investment, we focus on internal rate of return and net operating income premised on an exit strategy for five to seven years in the future. We do not pay a high premium for investments. That means, in case the amounts are higher than what we can confidently invest, we will choose to stop such investment. Since we are exposed to the risk of impairment if cash flow from the investment falls, we always keep in mind that we will fail if we make mistakes in entry price. We do not incorporate ancillary businesses or synergies in price. We consider the profitability of the investment itself and emphasize how much it can earn during the investment period.

Moreover, we do not buy into trends or fields because that can lead to failure since we do not know when or how the operating environment may change. We explore a broad array of investment opportunities rather than setting limits on ourselves. We see leading-edge investment opportunities in Japan because we can increase the corporate value of investees if we deploy the capabilities of our salespeople nationwide. We are therefore willing to take on certain risks in investing in Japan. At the same time, we emphasize intelligent collaboration with partners when investing overseas.

Post investment, we periodically check if projects are proceeding according to the initial plan. Thus we keep tabs on progress toward targeted project outcomes and are able to quickly take corrective action if the environment changes.

We also have exit strategies and standing sales criteria for all projects. This holds true for ORIX's entire portfolio and is not a limit on investment. We consistently think about the price at which we can sell each business and managers are tasked with closing when the time is right. ORIX has made many investments. Not every single one of our investments succeeds, but most do. Our performance speaks for itself because few of our investments are unsuccessful and we have been able to minimize losses even when they are.

ORIX has a recognized track record, and our pipeline is exceptionally well filled out. We will hold to our investment approach while investing proactively in projects that will generate growth for ORIX. We will sell existing projects as we invest in new ones to generate earnings from asset turnover. ORIX consistently emphasizes liquidity and asset turnover to build earnings with capital gains that are not market dependent. These profits come from adding value to the businesses of investees and they increase corporate value. We are not totally insulated against changes in the external environment, but we will continue to focus intently on projects from entry to exit to generate profits that exceed our targets.

Our Approach to Corporate Governance

A Management Foundation That Supports Sustainable Growth

Governance is a priority for ORIX because our growth strategy centers on Operation and Investment.

ORIX has much to monitor because it has a diverse array of businesses. Our business portfolio is broad and growing rapidly. We are therefore constantly upgrading corporate governance. An approach to growth necessarily involves effective defensive capabilities. Broadly speaking, our upgrades have two objectives. The first is a system that precludes surprises and situations that will negatively affect ORIX's growth. A problem in a discrete business does not simply affect that business; it also can damage ORIX's brand or credibility and even endanger ORIX's existence. The second is a system that lets us take risks. We cannot grow if we do not take risks. Effective risk identification and control let us continue to grow by transforming risks into opportunities.

We have well established expertise in risk management for Finance and Investment, but we still have

much work to do for Operation. The primary risk in Operation is operational risk, and risks we have not dealt with before are confronting us as we expand Operation. System upgrades and enhancements will be our primary focus in Operation risk management.

The Enterprise Risk Management Headquarters was established in June 2017 as a part of organizational changes for these upgrades and enhancements. It will consolidate compliance and legal functions, with a particular emphasis on global compliance and internal control. We changed the name of the Risk Management Headquarters to the Credit and Investment Management Headquarters, which will continue to be responsible for managing and monitoring individual investments and our portfolio. We also newly established the Treasury and Accounting Headquarters to consolidate ORIX's overall planning, treasury and accounting functions.

Our Approaches to Contributing to Society through Our Businesses and Our Employees

Societal Relationships That Support Sustainable Growth

ORIX's social presence is growing because of our business and corporate expansion. Since its inception, ORIX has offered new value through its business activities with a fundamental commitment to social contribution. Profits are important to us as a company, but they are not our only objective. We believe that providing new value to and being an integral part of society will result in the profits that enable sustainable growth.

Social issues and needs are business opportunities and profit opportunities. We grow and contribute to society by thinking about what ORIX can do for each of these issues and needs and then taking action. Social change creates countless issues and needs. We will continue to contribute to society by proactively identifying changes in society that create business and profit opportunities.

Today, ORIX is making its greatest contribution to society through the environment and energy business. We have secured the largest scale of solar power generation projects in total in Japan, and have started the operation in series. We are also involved in other renewable energy projects including biomass, wind and geothermal power. In addition, we are leveraging our expertise in the solar, wind, hydro and geothermal power businesses overseas and are also managing funds that specialize in companies involved in environmental amelioration and carbon reduction in Asia. Countries worldwide are rapidly transitioning to a carbon-free model, and ORIX wants to contribute by rapidly expanding its businesses to resolve global environment and energy issues.

Business expansion is broadening our customer base from business-to-business to business-to-consumer. The

CEO Inoue on Strategy

number of business partners with which we collaborate is also growing. I want these stakeholders to feel that their relationship with ORIX is beneficial, so we will listen to customer feedback and work with our partners to generate shared growth.

The success of our employees is also key to ORIX's continued growth. We are nurturing people so they will contribute to our strategy for global growth, and we are creating a workplace environment that allows our people to energetically demonstrate their capabilities. Training programs and personnel systems alone are insufficient. We need to deploy them so that our people can excel.

We therefore launched a workplace reform project in October 2016 to improve work-life balance.

The ORIX Group has diverse expertise and knowledge. I would like to promote exchanges of personnel throughout the Group. We will identify new business opportunities by exchanging and combining expertise, and improve the capabilities of our people by sharing knowledge. When our people demonstrate their capabilities to the full, we not only grow but also contribute to society as we do so. All of us should think about what ORIX means to society during our day-to-day business activities.

Shareholder Returns

We increased dividends 14% year on year to ¥52.25 per share for FY2017.3. The dividend payout ratio rose to 25% from 23% in the previous fiscal year. The interim dividend for FY2018.3 will be ¥27.00. It was ¥23.00 in FY2017.3.

Our price book-value ratio was less than 1.0 times for a long period during FY2017.3 despite our solid performance. Repurchasing shares was one strategy and we concluded that a moderate share repurchase would not affect our growth strategy. We therefore committed

to a share repurchase program with a maximum of ¥50 billion. We completed the program in April 2017 upon repurchasing the maximum. We have subsequently been considering an ongoing program, and will employ strategic share repurchases after comprehensive consideration of share price movements, the status of our new investments, capital criteria and capital efficiency.

Our mindset of deploying capital to invest in sustainable growth remains unchanged. At the same time, however, we remain committed to stable shareholder returns.

Future Growth

Our net income target for FY2018.3 is ¥300 billion. Our stakeholders will probably wonder if we will be able to maintain high growth rates in the future after we achieve this target. However, as long as the world continues to change, ORIX will have unlimited business opportunities, so I believe that ORIX still has plenty of potential for sus-

tainable growth. We will generate stable profits with a focus on Operation and Investment while aggressively entering new markets to nurture our next core businesses. We will meet the expectations and earn the trust of our stakeholders by generating growth with a business portfolio that is better than ever.

Management Strategies

A Message from the CFO



Kazuo Kojima

Director
Representative Executive Officer
Deputy President and
Chief Financial Officer

Proper Capital Controls to Create Corporate Value

Proper Capital Controls

The medium-term targets we announced in May 2015 are net income of ¥300 billion, ROE of 11% to 12%, and keeping our single A credit rating. Keeping our single A credit rating is related to an employed capital ratio of around 80 percent, which is reasonable for ORIX to ensure financial soundness and the flexibility to make new investments. ORIX measures the employed capital ratio using a proprietary method that refers to global benchmarks and the assessment methodology of credit rating firms. Our employed capital ratio at the end of FY2017.3 was 85.1%, which we consider reasonable for maintaining our single A credit rating and new investment capacity. The breakdown of employed capital in the three categories of our portfolio is 16% for Finance, 51% for Operation, and 33% for Investment.

Our debt/equity ratio (excluding deposits) was 1.7 times

as of March 31, 2017. This level represents a bottom for ORIX, and increasing leverage on profitable assets is one of our options.

Selecting and Monitoring Investments and Credit Transactions for Returns That Exceed the Cost of Capital

ORIX makes decisions about each investment and credit transaction after confirming that its returns are commensurate with risk and exceed the cost of capital. We retain this mindset in monitoring each transaction after it is executed, and visualize the profitability, asset efficiency and capital efficiency of each business unit's portfolio. This helps us control our balance sheet, including our overall management plan and capital allocation. We will increase corporate value by proper and timely monitoring of risks and returns for the portfolio of each business.

Employed Capital Ratio*

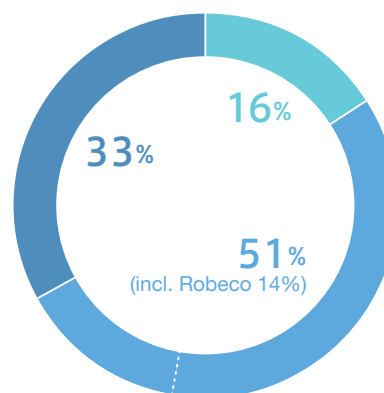
(Billions of yen)

	FY2017.3
ORIX Corporation shareholders' equity	2,507.7
Employed capital	2,134.7
Unemployed capital	373.0
Employed capital ratio	85.1%

* ORIX calculation (Risk Capital/Shareholders' Equity)

Employed Capital Breakdown

■ Finance ■ Operation ■ Investment



A Sound Funding Base

For debt funding, ORIX diversifies funding sources, lengthens durations, levels out its maturity ladder and ensures proper liquidity. We generally manage exchange rate volatility risk by using foreign currency-denominated loans, foreign exchange contracts and currency swaps for our business transactions in foreign currencies and overseas investments. We have increased funding in foreign currencies in recent years because we have been expanding our overseas businesses. As of March 31, 2017, 51% of our debt funding from financial institutions and capital markets was denominated in foreign currencies. We expect to expand our U.S. businesses and our aircraft business and therefore plan to regularly issue U.S. dollar bonds. Our subsidiaries in Asia will also continue to issue debt for funding with due consideration of capital market scale in the country of issue.

Quality Dialogue and Relationships Built on Trust

I consistently help shareholders and investors understand the fundamental strengths that enable ORIX to create value over the medium and long term when I communicate with them as Group CFO. In FY2016.3 we began complementing the existing disclosure of our six business segments by additionally highlighting our three portfolio categories. We also began disclosing subcategory results in FY2017.3. I will also discuss earnings growth, ROA and capital allocation for our three portfolio categories.

We are currently formulating the medium-term plan we will launch in FY2018.3, and this plan will further clarify our vectors for creating corporate value. We will build relationships of trust with shareholders and investors through ongoing quality dialogue.