



## Memorandum

To: OFS Team Members

From: Gary A. Corr

Date: January 21, 2004

Re: OFS Strategy

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We have been managing ORIX under a new structure for approximately three months. I now want to take the opportunity to update you on some of the recent changes and share my plans and strategy for the future of the organization.

First and foremost, ORIX continues to be committed to the Equipment Finance business. We have a major investment in this activity, both in terms of infrastructure and goodwill. This industry is an important part of the ORIX global heritage. The Equipment Finance business can provide our parent with a steady source of annuity like earnings provided we continue to avoid major credit problems in the portfolio.

The major challenge we face is our cost structure. Several years ago there was a vision of creating a large, diversified financial services company. Therefore, an infrastructure was created to accommodate that plan. Unfortunately, the economy and markets did not co-operate and the organization was not able to achieve the growth that was planned. Today we find ourselves with an infrastructure and cost base larger than the current needs of our business. Most of the recent changes that have taken place have been aimed at addressing this fact.

We today have a profitable company with good momentum in the marketplace and skilled individuals effectively performing both revenue producing and supporting roles. The objective is to continue along this path while we take steps to improve the return on the capital our parent has invested. In order to do so, we will attempt to both increase revenues and continue to reduce costs.

In terms of what has been accomplished; the accounting, human resources and IT functions have been consolidated. Our main objective for this integration was to maintain the necessary support to the businesses at a lower cost. With the completion of the



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conversion of the RPG portfolio from the cumbersome legacy system to InfoLease we have also been able to achieve efficiencies in our operations. Benefit plans have been modified to reflect the realities of the economics of this business and we have substituted an improved 401-K retirement program for an outdated pension plan. Costs associated with advertising, business promotion, software, telecommunications, insurance, etc. have been rationalized. Unfortunately, some of the steps taken towards efficiency have involved disruptions in the lives of a number of our fine colleagues. This is a painful but necessary component of the restructuring that is required in order to ensure our viability and cement the continuing commitment of our shareholders.

In terms of the plans for the future, we want to preserve the franchise value and profitability of the core businesses while becoming as efficient as possible throughout the organization. Most of personnel actions are behind us and no further significant reductions in staffing are planned. We will nevertheless seek to gain more efficiency in the infrastructure as the various support areas continue with their integration plans and as we mature in the use of the new systems in both operations and accounting.

We will also continue to seek other opportunities to reduce our costs. One element of this is the potential sub-lease of one of the three floors in the Kennesaw headquarters. In addition to the economic benefits, this consolidation to two floors will allow for more interaction among the staff. There are no plans to move our location elsewhere.

If we continue to be successful on the new business front, revenue growth can help us achieve the necessary efficiencies.

To specifically address the business units, we have begun to redefine the mission of RPG. Collection of the remaining portfolio continues to be a major objective for RPG. In addition, the opportunity for recovery of previously written off balances, un-accrued income and fees presents a major opportunity for us. This is a two to three year effort that has the potential to yield major revenue opportunities. A plan will shortly be announced that will realign the RPG structure in order to increase the resources being applied to this important recovery effort.

In EFG, we have begun a redesign of the credit and documentation processes in order to position the organization towards growth in the more standardized types of transactions. This will help streamline our direct sales efforts and future vendor program initiatives. Increased focus on selected industries will also help improve our leverage with customers and manufacturers in the marketplace and allow us to gain meaningful presence in the markets we choose to serve.

For EFG, it is important that we maintain or increase our spreads while we concurrently improve customer service and efficiency by reducing turnaround times. The redesign will examine each element of the process and contemplates more reliance on Risk Acceptance Criteria, delegations of credit and documentation authority within the



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organization and the greater use of technology. The first phase of this project is scheduled to be completed by mid March.

Emphasis continues to be placed on the Portfolio Acquisition efforts. This is a difficult market in which to be successful. But if we are able to prudently acquire distressed portfolios, the rewards will be very meaningful to the entire organization.

The Structured Finance Group is an important line of business to ORIX and is in the process of approaching \$1 Billion in volume (since inception). SFG, in line with the earlier announced objectives, is continuing to develop a strategy to expand their product array in order to increase our value to their large corporate marketplace. This will take additional time and effort. In the meantime, they have had several notable successes in generating fee income, which dramatically improves the returns on our invested capital.

The strategies for BCG and PFG continue to evolve in a direction that is independent of the support organization here in Kennesaw. Both businesses have begun to sharpen their focus. PFG has achieved partial success in resolving the tax issues imbedded in their business.

Earlier this month I was able to present these plans and strategies during our quarterly board meeting. I received full support from senior management in Dallas, New York as well as our shareholders in Japan. The opportunities in RPG as well as the need to maintain a meaningful and improving presence in our core equipment markets were acknowledged by them during the meeting. The entire company is aligned towards these objectives.

There has recently been some disruptive, negative commentary in one of the industry's trade publications that represents itself as having accurate, factual knowledge about OFS's actions and plans. While some of the commentary has been accurate, let me assure you that our strategy is as I have outlined in this communication.

Our objectives are clear – we must continue to improve the returns in the OFS business lines by managing our margins through revenue growth and prudent review of our cost structure. This challenge must be faced head on; otherwise we will become redundant, as have many of our competitors in this industry. We have many talented individuals and a strong base of business. I am enthusiastic about the prospects and future for OFS and am confident that together we can and will take full advantage of the opportunities that lie ahead and we will achieve the ultimate success of our organization.