

# Mid- to Long-Term Value Creation

This section introduces the value creation that ORIX targets over the mid- to long-term.

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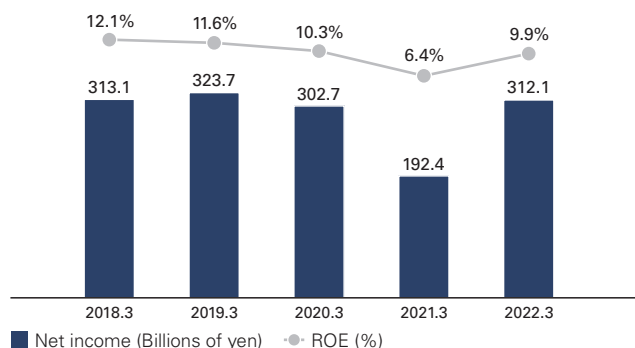


# Medium-term Direction

## Results for the Fiscal Year Ended March 2022

In the fiscal year ended March 2022, net income increased 62% year-over-year to ¥312.1 billion and return on equity (ROE) was 9.9%. ORIX can sustainably generate annual net income of ¥300 billion or more from its business portfolio, and did so for the three consecutive fiscal years ended March 2020. Earnings decreased during the fiscal year ended March 2021 because of the COVID-19 pandemic, and when we announced our results for that fiscal year, we made restoring net income to ¥300 billion or higher our benchmark for the fiscal year ending March 2023. However, due in part to divestitures and other factors, we transcended the impact of the lingering COVID-19 pandemic and returned to net income over ¥300 billion a year ahead of our benchmark. Our ability to curb the COVID-related downturn in earnings and quickly return to a pre-pandemic level of net income is evidence of our ability to diversify risk with a broadly based business portfolio.

### Net Income and ROE



Note: 2022.3 denotes the fiscal year ended March 2022.

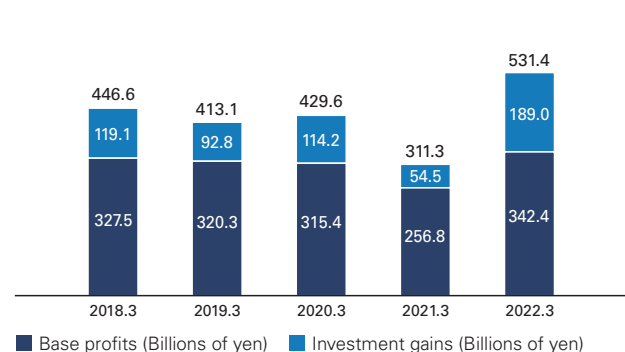
## Segment Profits

For the fiscal year ended March 2022, segment profits totaled ¥531.4 billion. Base profits increased 33% year-over-year to a five-year high of ¥342.4 billion. Base profits increased in eight of our ten segments, driven by overseas businesses. Investment gains increased 247% year-over-year to ¥189.0 billion, and were also the highest in five years. ORIX recognized gain on the sale of Yayoi in the fourth quarter, and ORIX USA exited a number of private equity investees. Ongoing real estate sales also contributed to investment gains. ORIX recognized impairment totaling approximately ¥70.0 billion for the fiscal year ended March 2022, mainly in the PE Investment and Concession, Environment and Energy, and ORIX Europe segments. ORIX changed its definition of investment gains, recognizing impairments within investment gains in the fiscal year ended March 2022,

and has restated past results accordingly. ORIX made the change because both investment gains and impairment arise mainly from investees.

By segment, segment profits increased year-over-year in Corporate Financial Services and Maintenance Leasing, which posted higher profits in all business units; Real Estate, which primarily generated investment gains from sale of logistics facilities; ORIX USA, which recorded higher profits from PE investments and all of its other businesses; ORIX Europe, which increased assets under management (AUM) to a record high in the third quarter; and Asia and Australia, which generated higher finance revenues primarily in South Korea and China. In addition, our diversified portfolio resulted in stable earnings in the many segments in which segment profits decreased year-over-year due to non-recurring impairment.

### Base Profits and Investment Gains



### Definitions of Base Profits and Investment Gains

|                         | From 2022.3 (Full Year)   |
|-------------------------|---|
| <b>Base Profits</b>     | Finance revenues, operating leases (excl. gains on property sales), sales of goods and real estate, services income, SG&A expense, interest expense, provisions, etc. |
| <b>Investment Gains</b> | Gains on sales of operating leases, subsidiaries and affiliates, investment securities, impairments, etc.   |

Medium-term Direction

### Performance Goals for the Fiscal Year Ending March 2025

The net income target of our Medium-term Direction is ¥440.0 billion for the fiscal year ending March 2025. This target entails double-digit growth in earnings for the three years ending March 2025. We will focus significant capital investment in the operation & investment and asset management categories. Our pipeline is strong in businesses including environment and energy, private equity investment, real estate, and ORIX USA. Moreover, the operation & investment category is a focus area in which we forecast growth, and we expect it to support increased profits as it recovers from the COVID-19 pandemic. We will improve profitability in the financing & insurance category by differentiating ORIX from other

companies with the objective of stable growth.

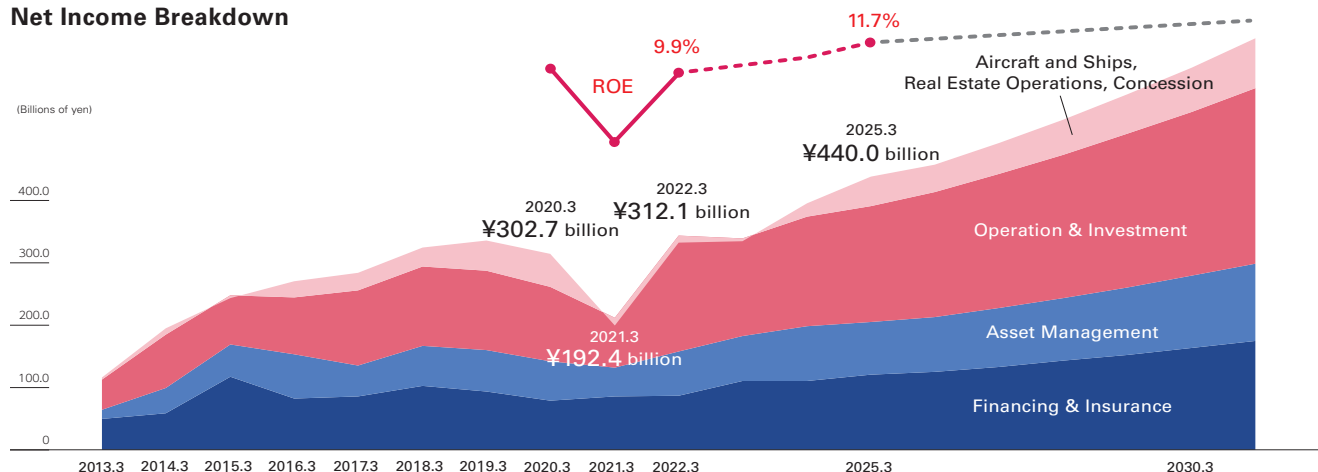
We are also targeting recovery in ROE to 11.7% after three years. Our strategy for achieving this goal involves improving capital efficiency by continuing to grow earnings as we replace assets and weigh our options for buying back shares. In addition, we will consistently manage our balance sheet with due consideration for financial stability to maintain our single A rating. Please refer to Financial and Capital Strategies to Support Value Creation on pages 26-29 for additional details on financial strategies and capital policies, including shareholder returns.

Breakdown of Segment Profits (Billions of yen)

| Business Unit  | FY Ending March 2025 (Targets) |
|--|--------------------------------|
| Aircraft and Ships, Real Estate Operations, and Concession | 60.0                           |
| Operation & Investment                                     | 290.0                          |
| Asset Management   | 130.0                          |
| Financing & Insurance                                      | 180.0                          |
| <b>Segment Profits</b>                                     | <b>660.0</b>                   |
| <b>Pre-tax Profits*</b>                                    | <b>620.0</b>                   |
| <b>Net Income</b>  | <b>440.0</b>                   |

\* Pre-tax profits are segment profits excluding costs not assigned to any segment and other items.

### Net Income Breakdown



Note: 2022.3 denotes the fiscal year ended March 2022.

## Medium-term Direction

### Medium-term Direction Key Items

Three key items for achieving our Medium-term Direction are growth of base profits, capital recycling, and overseas business expansion. Our earnings and capital efficiency targets for the fiscal year ending March 2025 require initiatives to drive these key items. Relevant performance indicators include base profits, ROE and ROA, large-scale investments and divestitures, and the ratio of overseas profit. We intend to emphasize reporting on these key items when communicating our progress toward our Medium-term Direction to shareholders, investors, and other stakeholders.

| Key Items |                             |
|-----------|-----------------------------|
| 1         | Growth of base profits      |
| 2         | Capital recycling           |
| 3         | Overseas business expansion |

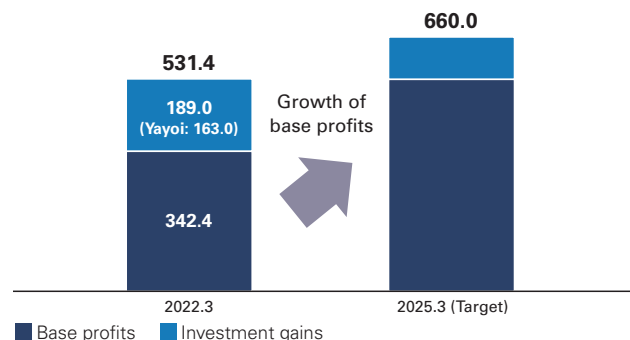
Note: 2022.3 denotes the fiscal year ended March 2022.

### 1 Growth of Base Profits

ORIX generally recognizes segment profits in one of two categories: investment gains, which encompass gains on sales of operating leases, subsidiaries and affiliates, investment securities, and impairments; and base profits, which encompass all other revenues including finance revenues and service income. ORIX generates investment gains with a business model process that is integrated from acquisition to exit. Consequently, investment gains are generally consistent from year to year, with some fluctuation in any given fiscal year due to market-based decisions about the timing of sales. On the other hand, base profits are core earnings for ORIX, and their growth is essential for stable overall growth.

ORIX needs to grow existing businesses in each segment and add new revenue streams through M&A for growth of base profits. Historically, ORIX has identified

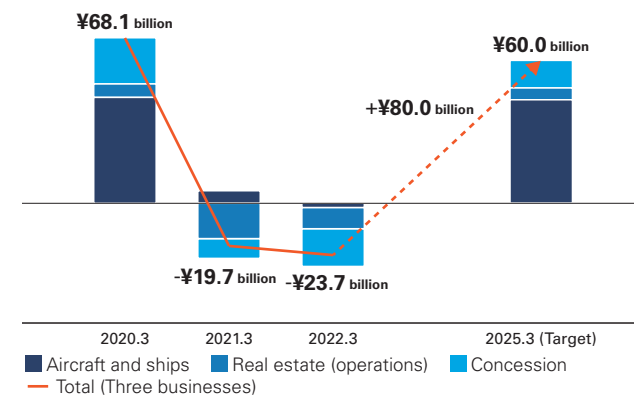
**Segment Profits (Base Profits and Investment Gains)**  
(Billions of yen)



both pure financial investments premised on a future exit and strategic investees that can evolve into stand-alone business units or segments over the medium- and long-term. Companies that have become part of ORIX Group have contributed steadily to growth of base profits, and we will continue to add strategic investees through accretive acquisition.

Furthermore, the real estate operations business, the aircraft leasing business in the Aircraft and Ships segment, and the airport operation component of our concession business have already bottomed out from the negative impact of COVID-19. We expect segment profits from these three businesses to recover to about 80% of pre-pandemic levels during the fiscal year ending March 2025. This will increase base profits by ¥80 billion compared to the fiscal year ended March 2022.

**Segment Profits in Three Businesses Heavily Impacted by COVID-19**



Medium-term Direction

## 2 Capital Recycling

ORIX emphasizes capital recycling through asset replacement, which involves selling assets to generate capital for reinvestment. Our goal for the three years ending March 2025 is to limit the increase in assets to about ¥2 trillion. We will increase ROA by balancing new investments and exits while growing earnings faster than we increase assets.

We take two approaches to capital recycling: a straightforward cash-to-cash approach, and an asset replacement approach driven by the scale of businesses and investees. The development, leasing, and sale cycle in the real estate business in Japan exemplifies our cash-to-cash approach. Businesses including our renewable

|   | 2022.3 Actual           | 2025.3 Expectations <sup>1</sup> |
|---|-------------------------|----------------------------------|
| <b>Segment Assets</b>                       |                         |                                  |
| <b>Total Assets</b>                         | ¥12 trillion            | ¥14 trillion                     |
|   | ¥14 trillion            | ¥16 trillion                     |
| <b>Segment Asset ROA</b>                    | 2.7%                    | 3.1%                             |
| <b>Total Asset ROA</b>                      | 2.2%                    | 2.7%                             |
| <b>Ratio of Overseas Profit<sup>2</sup></b> | 33%                     | 51%                              |
|   | (excl. Yayoi sale: 47%) |                                  |
| <b>Shareholders' Equity Ratio</b>           | 22.9%                   | 24%                              |

1. 2025.3 forex assumptions: 125 USD/JPY, 135 EUR/JPY

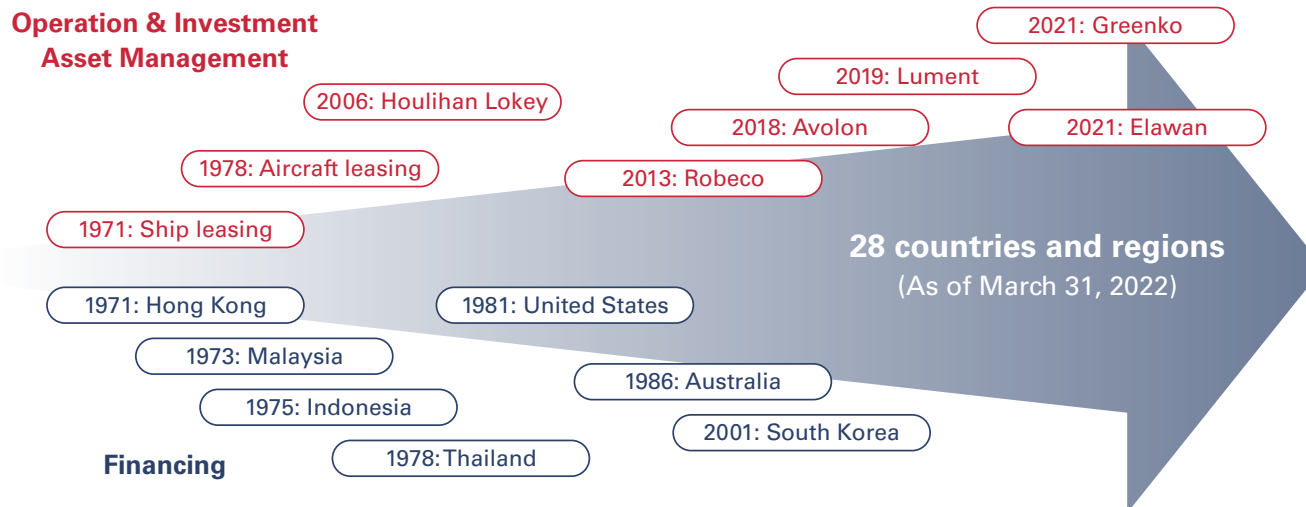
2. Overseas: Aircraft and Ships, ORIX USA, ORIX Europe, Asia and Australia, and the Environment and Energy business outside Japan

Note: 2022.3 denotes the fiscal year ended March 2022.

energy business outside Japan will execute projects with ultimate exit horizons. We will also continue to use our asset replacement approach driven by the scale of business and investees. We are open to all business replacement options. We gauge market conditions in considering sale or IPO when we conclude that an investee will generate greater corporate growth outside the Group or that its market value will be higher as an independent listed company. We primarily reinvest the capital we generate from exits in new growth investments, and also have the option of buying back shares to generate shareholder returns if investments that meet our criteria are not readily available.

### Overseas Business Expansion

#### Operation & Investment Asset Management



## 3 Overseas Business Expansion

ORIX entered the Hong Kong market in 1971 and now operates globally in 28 countries and regions. Until the 1990s, we focused on expanding our operations in the financing category by establishing leasing subsidiaries in Asian countries. Since the 2000s, we have been expanding businesses in the United States and Europe with a focus on the operation & investment and asset management categories.

We need to further increase a sense of Group unity that includes our companies outside Japan to continue growing as a global enterprise. Senior ORIX managers and executives at companies outside Japan have built strong relationships of trust based on regular communication. We will maintain close communication with in-market managers while expanding our businesses outside Japan.

# Financial and Capital Strategies to Support Value Creation



## Hitomaro Yano

Executive Officer  
Head of Treasury and  
Accounting Headquarters

### Profile

Joined ORIX in June 1989. Became Executive Officer, Head of Treasury and Accounting in January 2018 after roles including General Manager of Treasury Department and Deputy Head of Treasury and Accounting.

In the fiscal year ended March 2022, ORIX was profitable for the 57th consecutive fiscal year since the year following establishment. Despite the lingering impact of the COVID-19 pandemic, net income increased 62% year-over-year to ¥312.1 billion and return on equity (ROE) was 9.9%. Our performance demonstrated the strength of our diverse business portfolio, even in the midst of a pandemic.

As Head of Treasury and Accounting, I oversee finance, accounting, management planning, IR, and sustainability initiatives, and I am responsible for financing, business performance management, financial reporting, capital policy, and credit rating policy. In May 2022, ORIX announced targets for its Medium-term Direction that included net income of ¥440.0 billion, ROE of 11.7%, and no change in its A credit rating or equivalent in the fiscal year ending March 2025. Clearly,

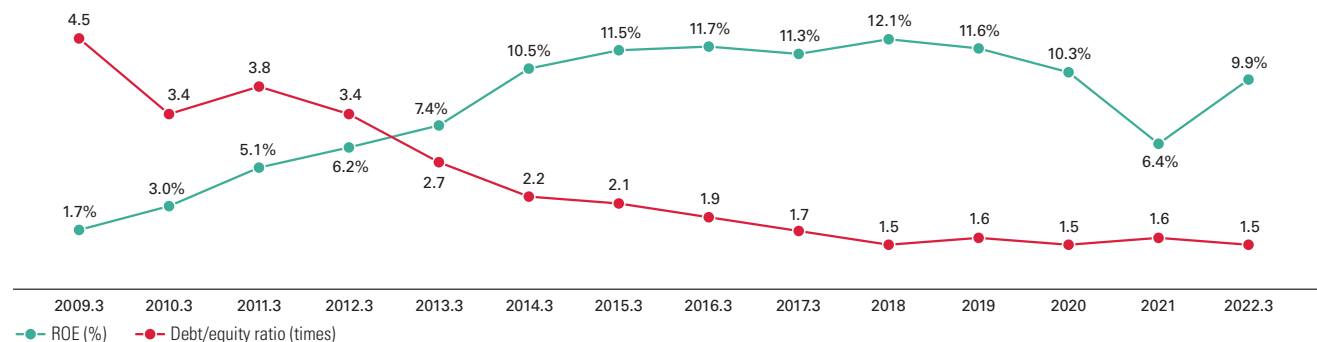
achieving these targets will require high-quality assets and businesses with the potential for stable growth, and demonstrating that potential will in large measure be a function of how effectively we fund them. How we balance our asset, liability and equity profile will be important and can be looked at from two perspectives. The first is making intelligent equity and debt decisions and the second is using asset and liability management (ALM) with due consideration of interest rate risk, foreign exchange risk, and liquidity risk. Here, I would like to discuss how we will balance the two.

and capital strategy. We need an effective balance between financial discipline and increased capital efficiency. ORIX has been reducing leverage since the financial crisis of 2008 for two main reasons. One, dysfunction in financial and capital markets during the financial crisis hampered our businesses, which led us to emphasize stable funding. Two, we addressed the emerging need to maintain shareholders' equity commensurate with the risks embedded in our asset portfolio as the focus of our businesses has transitioned from financing to operation and investment. Our evolving business portfolio has successfully generated earnings growth, enabling ORIX to achieve nearly double-digit ROE while reducing leverage below the level prior to the financial crisis.

## Intelligent Equity and Debt Decisions

First, the appropriate use of leverage is key for financial

### ROE and Debt/Equity Ratio (excluding Deposits)



Note: 2022.3 denotes the fiscal year ended March 2022.

## Financial and Capital Strategies to Support Value Creation

Lower leverage is not necessarily better. ORIX Group improves corporate value by consistently delineating the debt and equity profile of discrete projects and checking throughout the organization to ensure profitability that exceeds the cost of capital. We also have the option of increasing leverage if justified by the asset acquired. Our commitment to efficient use of shareholders' equity in businesses with consistently strong profitability is key to maintaining ROE at 11% or higher. That is the essence of our strategy of structuring each discrete project around its unique features and characteristics. Our strategic commitment to exceeding the cost of capital and maintaining sound finances will necessarily reduce leverage.

ORIX defines appropriate leverage using the employed capital ratio, which is the ratio of risk capital to shareholders' equity. ORIX calculates risk capital based on historical maximum annual decrease in market indices

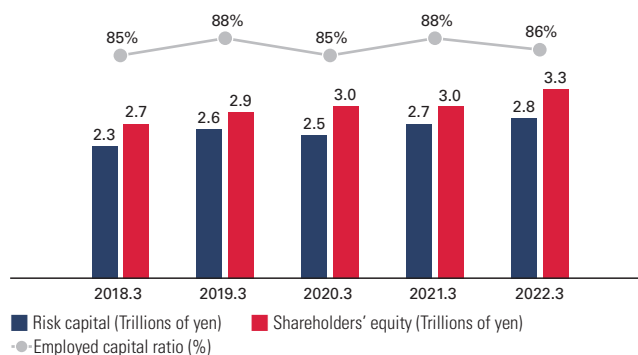
for each asset class to quantify the risk specific to a particular asset or business. For the past five years, we have maintained the employed capital ratio at about 90% of shareholders' equity at the fiscal year end. This mitigates risk with a sufficient capital buffer while allowing for new investment. We will continue to deploy capital in our focus areas of environment and energy, PE investment, and asset management.

In addition, ORIX uses cost of capital to evaluate its diverse portfolio of businesses. We calculate weighted-average cost of capital (WACC) for each business unit as the basis for measuring return on invested capital (ROIC) to gauge business unit profitability. We require higher ROIC for capital-intensive business units with higher WACC, such as those involved in investment.

## Shareholder Returns through Stable Dividends and Flexible Share Buybacks

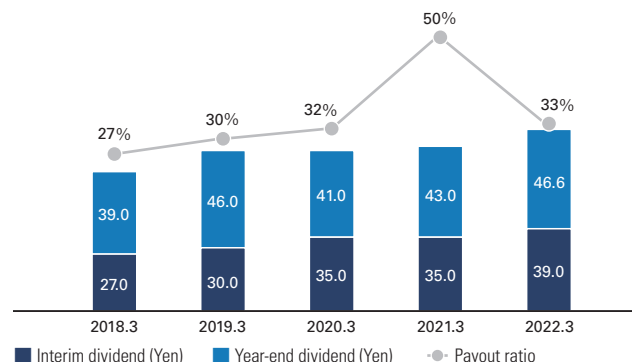
Our fundamental policy for shareholder returns is to allocate one-third of net income to dividends, one-third to new investments, and the rest to capital reserves and share buybacks. We view dividends as stable, ongoing shareholder returns. The Medium-term Direction designates a payout ratio of 33% or a dividend in the same amount as the previous fiscal year, whichever is higher, through the fiscal year ending March 2025. ORIX has paid dividends that were equal to or greater than the previous fiscal year's dividend for each of the past 11 fiscal years, and we remain committed to meeting the expectations of shareholders and investors with equal or higher dividends year on year. Furthermore, our shareholders can look forward to the higher dividends that will result from our 33% payout ratio on higher

**Risk Capital, Shareholders' Equity, and Employed Capital Ratio**

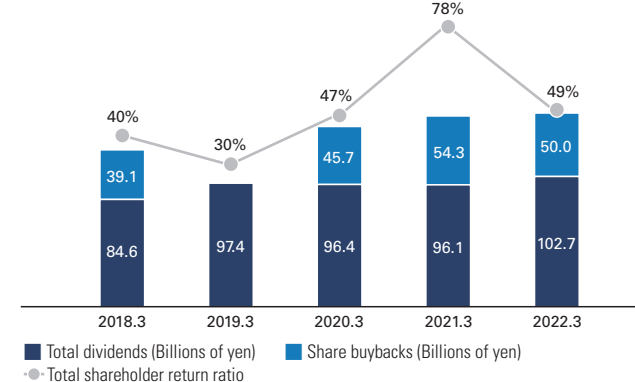


Note: 2022.3 denotes the fiscal year ended March 2022.

**Dividend per Share and Payout Ratio**



**Share Buybacks and Total Shareholder Return Ratio**



## Financial and Capital Strategies to Support Value Creation

earnings over the medium and long term.

We make a certain level of new capital investments every year to maintain growth, but we commit to them flexibly, guided by the market environment rather than predetermined limits. At the same time, we avoid underutilized capital reserves as a matter of policy, and have the option of deploying cash to generate shareholder returns through share buybacks if reserves build up during an extended period when investments that meet our criteria are not readily available. Thus we view share buybacks as a flexible source of shareholder returns.

When buying back shares, we make holistic decisions after considering issues including earnings growth, the progress of portfolio replacement, our finances, key performance indicators, the business environment, and stock price trends.

## A Quality Balance Sheet through ALM

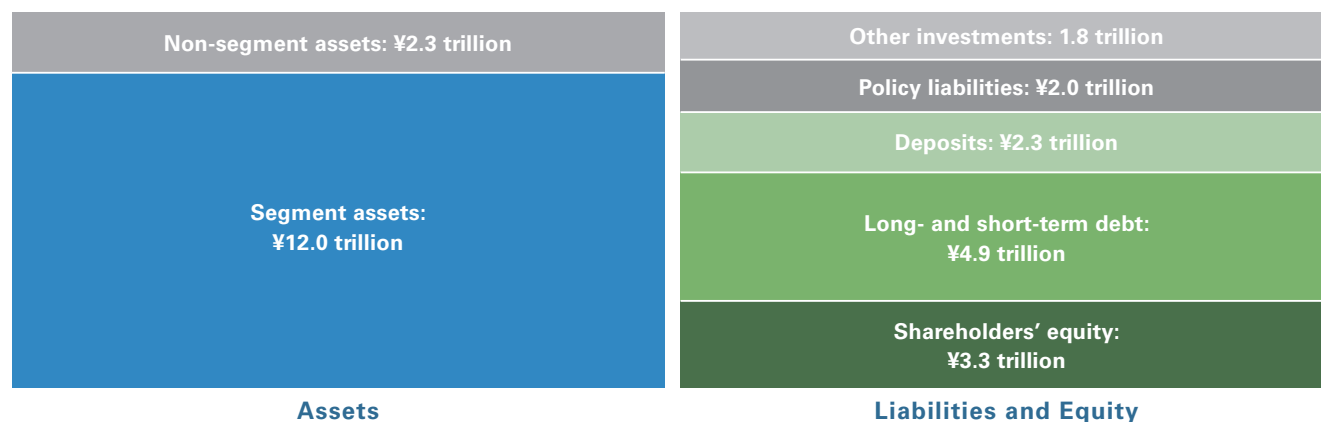
ALM is another core theme. Changing market parameters including interest and exchange rates expose ORIX to the risk of fluctuation in the value of assets and liabilities. ORIX has multidimensional ALM rules for measuring and addressing these risks. Our approach to interest rate risk is representative. We define maximum value at risk at the beginning of each fiscal year. We then measure and monitor issues including risk by currency, sensitivity to changes in fair value resulting from fluctuations in interest rates, and accounting sensitivity. We determine funding accordingly, and employ derivatives to manage risk as needed. Moreover, we generally mitigate forex risk with funding in the currency used for non-yen transactions and investments outside Japan. These approaches are part of

our toolbox for appropriately managing interest rate and forex risk

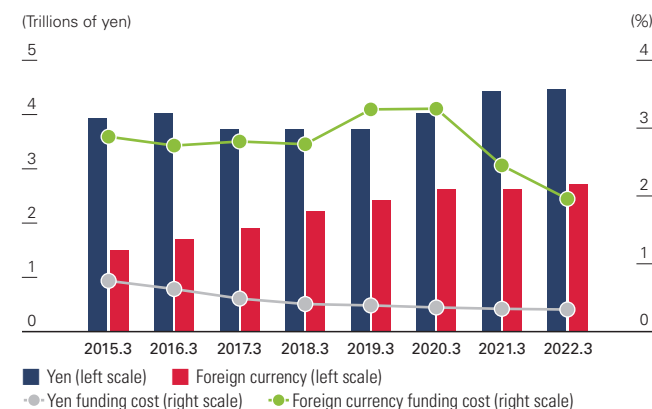
Managing liquidity risk is another aspect of ALM. Our objective is to avoid disruptions to cash flow and debt service in the event of contingencies such as a financial crisis. We have lengthened and laddered debt maturities to reduce redemptions in any given period and ensure liquidity sufficient to meet our obligations. We also conduct regular stress tests predicated on crisis assumptions to maintain appropriate liquidity.

Our commitment to ALM is indicative of the importance we place on our credit ratings. We maintain access to high-volume, high-quality funding by maintaining a high credit rating, and that supports higher earnings.

**ORIX's Balance Sheet** (As of March 31, 2022)



**Average Balance of Long- and Short-term Debt and Deposits by Currency and Funding Cost**



Note: 2022.3 denotes the fiscal year ended March 2022.



## Financial and Capital Strategies to Support Value Creation

### Communication with the Market and Enhanced Disclosure of Non-financial Information

Our ongoing dialogue with financial institutions that provide funding and with debt and equity investors is key to buy-in for our sustainable growth strategies, and that helps drive the effective capital management and ALM I have been discussing. Our day-to-day dialogue with shareholders and investors is a particularly important source of valuable feedback. We frequently hear that ORIX is difficult to understand, and realize that the diversity and flexibility of ORIX's business portfolio and growth strategies are strengths that can also give rise to this impression. Naturally, we conscientiously explain our diversity and flexibility as part of our ongoing efforts to plainly communicate why ORIX is a good investment. Increasing our market valuation is a function of not only how well investors understand our performance in the near-term, but also their expectations for our ability to grow over the medium and long term. We will therefore disclose information about our growth strategies even more proactively.

So far, I have focused on financial capital, but that is not ORIX's only source of value creation. Human capital, intellectual capital, and other forms of non-financial capital may not show up as line items on our balance sheet, but they are also major drivers of value creation for ORIX. A key contemporary issue for us has been correctly conveying the value of our non-financial capital to shareholders, investors, and other stakeholders. Our success in doing so is directly linked to our stock price and other valuation metrics, and will ultimately affect the balance sheet. A growing focus on ESG and sustainability is clear in our day-to-day dialogue with shareholders and investors. Internal systems to promote sustainability are crucial, but so is properly disclosing information related to sustainability.

In May 2022, ORIX announced its Medium-term Direction for the three years ending March 2025, and in November 2021 announced its ESG-related material issues and key goals. The challenges and goals of these

two initiatives are related, not independent. The impairment we recognized in the fiscal year ended March 2022 for existing facilities to address environmental concerns is a clear example of how ESG risk can affect us financially. We must therefore correctly assess and mitigate all ESG risks because of the financial impact when they materialize. Furthermore, we must fully discuss and consider the business opportunities brought about by the increasing importance of ESG and sustainability. We will circumspectly disclose risks and opportunities via our integrated reports and sustainability reports, and we appreciate your continued attention.

#### Key Items in Information Disclosure

##### Medium-term Direction

Growth of base profits, capital recycling,  
and overseas business growth



##### ESG-related Material Issues

# ESG-related Material Issues and Key Goals

The ESG-related material issues that will enable the sustainable growth of ORIX are as follows. We have also set key goals to link these material issues to specific actions.

## ESG-related Material Issues

### 1 Material issues and focus areas to reduce climate change-related risks.

1. Set GHG emissions reduction goals.
2. Continue to lead in renewable energy investment and production.
3. Quantify and reduce our climate change-related risks and continue to implement TCFD recommendations.
4. Continue to promote a circular economy and reduce and appropriately manage waste.
5. Formulate an exit strategy for existing exposure to high environmental risk business areas and create bright-line exclusion criteria in any new investing or lending.
6. Work with our stakeholders to promote a healthier environment through goods and services that help mitigate adverse environmental impacts.

### 2 Material issues and focus areas to reduce social risks, including human rights risk.

1. Continue to strengthen our Sustainable Investing and Lending Policy, Code of Conduct, and risk management system to adequately cover new and emerging social risk areas.
2. Share a common and agreed respect for fundamental human rights with all of our stakeholders such as support for the UN Universal Declaration of Human Rights, worker health and safety, diversity, inclusion, and non-discrimination.
3. Continue to improve employee satisfaction by respecting the diversity of our employees and creating an inclusive working environment that promotes flexible working styles and provides career development support, fair performance review and compensation schemes, and employee health support systems.

### 3 Material issues and focus areas to strengthen governance based on transparency, compliance, and integrity.

1. Continue to strengthen the independence of the Board of Directors so that the Board may provide appropriate and effective oversight over the management's business execution from an independent and objective perspective.
2. The Group CEO will be responsible for all execution matters including responding to these material issues under the oversight of the Board of Directors.
3. Emphasis on client satisfaction and developing and offering sustainable products and services.
4. Endeavour to gain and keep the trust of our clients in all of our business areas.
5. Promote a strong culture of compliance with all applicable laws and regulations, including paying our fair share of taxes.

#### Process for Reviewing Our Material Issues



\* An executive body for senior management and executive officers to discuss important matters related to ORIX's management and strategy

## ESG-related Key Goals

1. Outside directors to account for over half of the composition of the ORIX Group Board of Directors by the General Meeting of Shareholders set to be held in June 2023.
2. Female directors to account for over 30% of the composition of the ORIX Group Board of Directors by the end of the fiscal year ending March 31, 2030.
3. Female employees to account for over 30% of management positions at ORIX Group by the end of the fiscal year ending March 31, 2030.
4. Reduce ORIX Group GHG (CO<sub>2</sub>) emissions by 50% compared to the fiscal year ended March 31, 2020 by the end of the fiscal year ending March 31, 2030.
5. ORIX Group to achieve net zero GHG (CO<sub>2</sub>) emissions by the end of the fiscal year ending March 31, 2050.
6. Reduce ORIX Group's investment and credit balance in GHG (CO<sub>2</sub>) emitting industries\* by 50% compared to the fiscal year ended March 31, 2020 by the end of the fiscal year ending March 31, 2030.
7. ORIX Group to achieve a zero investment and credit balance in GHG (CO<sub>2</sub>) emitting industries\* by the end of the fiscal year ending March 31, 2040.

\* Refers to the fossil fuel mining, palm oil plantations, and forestry financed by ORIX Group overseas subsidiaries

Please refer to the [Sustainability Report](#) for details about ESG-related material issues and key goals.

# Promoting a Digital Transformation

## Fundamental Approach

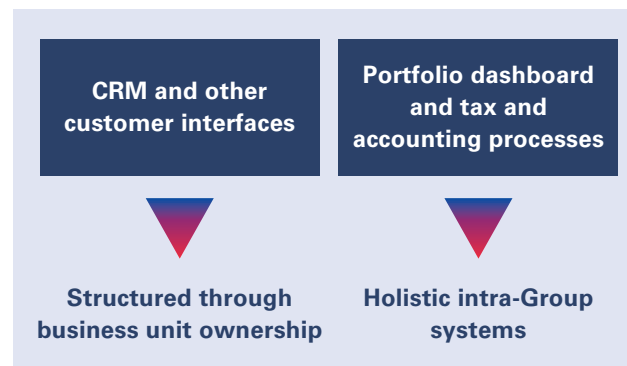
COVID-19 has accelerated digitalization, and ORIX's operating environment is no exception. We consider it essential to step up the promotion of our digital transformation in order to create value by maximizing the use of ORIX's management capital, particularly the intellectual capital that our knowledge and expertise represent. Our diverse portfolio of businesses ranging from financing to operation and investment drive sustainable growth. At the same time, however, our commitment to customizing products and services to meet a broad array of needs presents unique challenges in standardizing business processes to support digitalization. We are therefore digitalizing with due consideration for diversity, which involves striking a balance between what is optimum for each individual business and for the Group at large.

We broadly categorize our promotion of digital transformation into either business process improvement from digitalizing and streamlining internal operations or the use of digital technology and data to create new businesses. ORIX prioritizes business process improvement while creating new businesses, with emphasis on our balanced approach to optimizing both individual businesses and the Group at large. This approach is also evident in our focus on systems development, in which each business unit takes ownership of the development of its customer relationship management (CRM) systems and other customer interfaces. At the same time, we will keep holistic intra-Group systems simple by limiting them to dashboard functions that enable rapid business portfolio monitoring, in addition to tax and accounting matters.

## Organization for Digital Transformation

ORIX has established the Technology Department and the Information Security Control Department as holistic Group organizations that drive digitalization. In addition, ORIX Computer Systems is the lead organization in developing and operating Group systems. These organizations collaborate with business units to promote a digital transformation.

Business units approach discrete optimization with their own people and teams that specialize in digitalization. Concurrently, the Technology Department and other organizations manage intra-Group issues including enterprise architecture, governance, and analytics to ensure high-quality holistic optimization. We also have an organization that enables the Group collaboration and close communication with related departments required for large-scale projects such as the revamping of core systems.



## Promoting a Digital Transformation

## Business Process Improvement

## Real Estate (DAIKYO)

**Launch of Condominium Management Contract Digitization Service**

Condominium management companies DAIKYO ASTAGE and ANABUKI COMMUNITY launched a condominium management contract digitization service in August 2020. This interface uses the Internet to handle procedures and storage for contracts between condominium management associations and management companies. The two companies will make use of their condominium management knowledge and expertise to proactively advance digital transformation.

## Life Insurance

**Significant Reduction in Call Center Working Time through Systems Integration**

In 2020, ORIX Life created a single system for call center operations by integrating 10 separate systems ranging from contract information inquiries to customer contact history input. Simultaneous introduction of user experience (UX) design has prevented clerical errors by operators and reduced time spent on administrative work.

## Banking

**Electronic Contract Service Introduced for Real Estate Investment Loans**

In July 2021, ORIX Bank introduced an electronic contract service for carrying out the contract procedures of real estate investment loans over the Internet. The service allows all procedures from loan application to after loan implementation to be carried out online, achieving a transaction environment that does not require face-to-face meetings, paper, seals, or signatures.

## New Business Creation

## Corporate Financial Services

**Capital and Business Partnership with AI Image Analysis Start-Up Ridge-i**

In February 2021, ORIX entered a capital and business partnership with Ridge-i Inc., a start-up that offers development and consulting for systems using image analysis and other artificial intelligence (AI) technologies. ORIX concluded the agreement to improve Group productivity and work efficiency, as well as to develop new products and services that use image data in order to provide effective AI solutions.

## PE Investment

**Investment in Geographic Information Systems Developer Informatix**

Informatix Inc. is an electronic systems developer with strengths in digital mapping. ORIX's PE investment business has been focusing on digital markets, having previously invested in information processing service company Primagest, Inc. and network equipment manufacturer APRESIA Systems, Ltd.

## Environment and Energy

**Visualization to Support Power Plant Generation Efficiency and Productivity**

In March 2022, ORIX launched a service that evaluates and analyzes the operational status of mega solar power plants nationwide and proposes effective management strategies. The service incorporates data analysis using AI and other state-of-the-art digital technologies to provide reports on management strategies for maximizing electricity sales revenue.

# Human Resources Strategy



## Yasuaki Mikami

Managing Executive Officer  
 Head of Group Human Resources and Corporate Administration Headquarters  
 Responsible for Secretariat of The Board of Directors  
 Responsible for Work Style Reform Project

### Profile

Joined ORIX in April 1990. After serving in positions including Head of Secretarial Office, General Manager of Secretarial Office, General Manager of Human Resources Department, and Deputy Head of Group Human Resources and Corporate Administration Headquarters, appointed Head of Group Human Resources and Corporate Administration Headquarters in January 2017 (to present) and Managing Executive Officer in January 2020 (to present).

As stated in the Medium-term Direction announced in May 2022, ORIX targets net income of ¥440.0 billion for the fiscal

year ending March 2025. To reach this target, ORIX has set its sights on growth in focus areas that include environment and energy, private equity investment, and asset management, and has been working to create a pool of talent so that it can flexibly realign its human resource portfolio when these existing business fields grow. At the same time, to underpin further expansion into new markets, including international ones, ORIX is currently working to augment its human resources with expertise in governance areas such as digital transformation, IT, information security, and risk management.

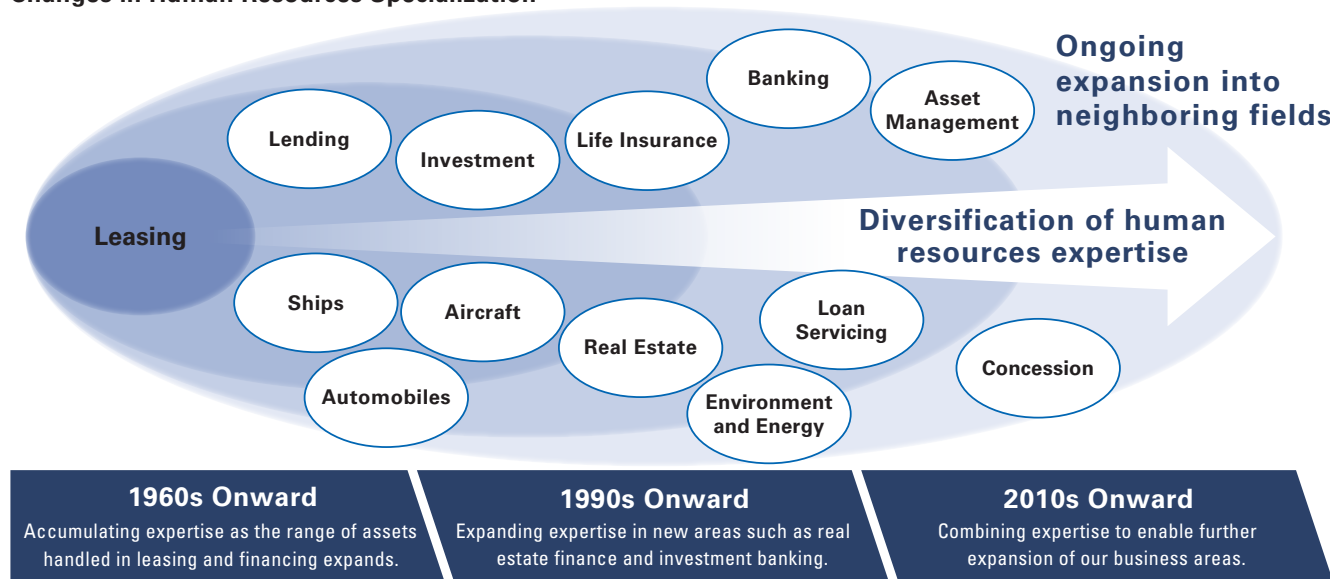
ORIX has grown while expanding its business into neighboring fields, with finance as the point of entry. The human resources who support this growth have a grounding in knowledge of finance, and have gained diverse expertise in handling the rollout of various business. This multifaceted

expertise is not limited to new business; it also encompasses a risk management function in the sense of enabling judgements on business from a variety of perspectives. In addition, as our business expands, we have added expert talent in a variety of areas, both in Japan and overseas, and the “fusion of intelligence” that organically results has become one of ORIX’s strengths. Employee growth is indispensable as the source of ORIX’s growth. We consider it important to take responsibility for employee development and invest in their future to encourage them to map out their own careers independently and clearly and to grow further. ORIX regards regular communication with each employee as an investment in the employee, linking its overall growth to the growth of each individual’s career.

In addition, overseas business growth is a priority in our Medium-term Direction. ORIX has built a unique global network as a result of its overseas expansion since 1971. Our overseas operations are based on localization, and we utilize the local business and human networks that we have built up over the years in acquiring overseas management personnel. Managing overseas business expansion also requires a more sophisticated level of governance and knowledge at headquarters. To further enhance the functions of our headquarters and management on a global level over the medium to long term, we are developing our HR capabilities and attracting expert talent from outside the ORIX Group.

Looking ahead to medium- and long-term business development, we will continue working to develop human resources who can use their familiarity with existing areas to go the extra step in adding value, and acquire human resources who can immediately put their expertise to work in new areas. By combining and synergizing these two groups, we aim to achieve sustainable growth.

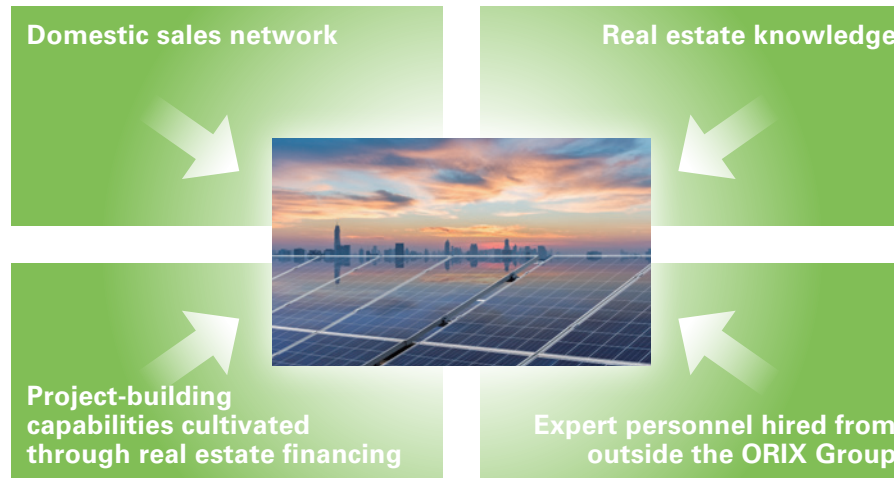
### Changes in Human Resources Specialization



Human Resources Strategy

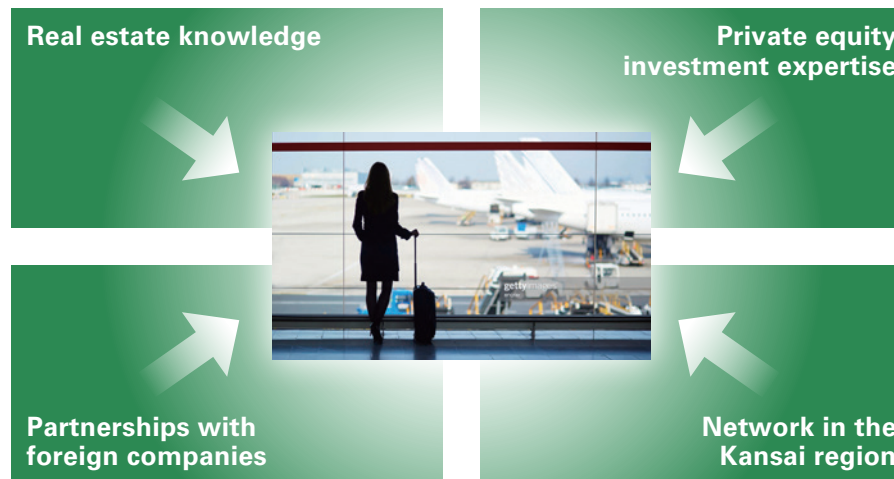
**Strengths of ORIX’s Human Resources Case Study 1: Environment and Energy**

Around 2013, when ORIX began a full-scale rollout of its solar power generation business in Japan, it made full use of the project-building capabilities, documentation, and other expertise of its personnel in real estate development and equity investment. In addition, the domestic network of our Corporate Financial Services enabled us to quickly commercialize our business and grow into a leading player in the solar power generation business in Japan.



**Strengths of ORIX’s Human Resources Case Study 2: Concession**

When the concession model was introduced to Japan, ORIX took on the challenge of this new business by combining the shared knowledge it had cultivated in financial services with the expertise and diverse business experience of each department, including real estate, private equity investment in Japan and overseas, corporate financial services, treasury, and credit. We are also utilizing this experience in the MICE-IR project that is currently under way.



**ORIX’s Corporate Culture and the Working Environment That Supports It**

ORIX’s corporate culture is one in which employees with diverse backgrounds collaborate to create new value. We believe that flexible and rapid adaptation to a changing environment and enjoyment in taking on challenges in new areas are both values that must be passed down to new employees. ORIX conducts an annual employee satisfaction survey (morale survey) to monitor for changes in these core values, and uses the results to identify current issues and reflect them in various initiatives.

The morale survey also provides a fixed-point understanding of employee job satisfaction and ease of working, which is analyzed by gender, age, and other attributes, as well as by department and length of service. We respect the values of each employee from diverse backgrounds and recognize the importance of close communication with employees in creating a workplace where all employees can work in a healthy and safe manner. In addition to the morale survey, we have launched a Work Style Reform Project, which incorporates employee feedback to create a comfortable working environment. Through these activities, we are instilling a culture that recognizes diverse values and diverse work styles.



## Human Resources Strategy

# Promoting Diversity, Equity, and Inclusion in Human Resource Development

## Securing Diverse Human Resources and Supporting Their Careers

For ORIX to continue providing new value, it is essential to support not only typical diversity in terms of nationality, age, gender, and work history, but also diversity in perspectives and ways of thinking. We believe this requires more than just diversity in terms of fostering a culture that accepts various kinds of knowledge and values, and inclusion in terms of taking advantage of that diversity to create an environment that encourages friendly competition. It also requires greater promotion of the concept of equity based on the implementation of measures for our human resources that support content tailored to each employee's strengths and background status, so that all employees can continue to play an active role.

For example, one of our key ESG-related goals is to increase the ratio of female managers in the ORIX Group to 30% or higher by the fiscal year ending March 2030. We pursue initiatives like this to promote active participation by women with the view that they will become benchmarks for participation in decision making and equal leadership opportunities not just for women, but for all employees from diverse backgrounds.

At the same time, we believe that having a variety of career paths develops diverse human resources and encourages them to play more active roles. A standardized system is not sufficient for the wide range of career paths at ORIX; a variety of options will lead to growth not only for our employees but for the organization at large as well. We customize personnel systems and career development programs for each business area so that employees can independently build their careers and deepen their expertise. We have established distinctive programs such as the Internal Intern System and the Career Challenge System, which help employees proactively take on challenges and experience various workplaces and jobs within ORIX.

The circumstances of each employee dictate the support required; therefore, we have developed a wide range of options so employees can combine personnel system components according to their own circumstances. For

example, we have made workplaces flexible with features such as shorter regular working hours that end at 17:00, a super flextime system that has no core hours, and annual paid leave that can be accrued on an hourly basis. These measures enable employees to select flexible work styles that include freedom of location through a wider range of options including satellite offices and remote work capabilities. Because of these initiatives, we have responded flexibly to each department's situation during the COVID-19 pandemic, adapting to new ways of working while maintaining productivity. The environment in which ORIX and its employees operate will continue to change, and we are committed to continuing to adapt to these changes. Our highest priority is to create a working environment that facilitates proactive, motivated engagement among our employees.

We need to address requirements for diverse work style options in line with the changing environment. Our basic premise is to facilitate engagement that allows employees to work while utilizing the programs required by their individual circumstances. To enable all employees to maximize their abilities and contribute to ORIX, we are focusing not only on developing systems to support life events, but also on instilling systems to support career building.

## Acquiring New Expertise

To respond to the expansion of its business fields and changes in its focus areas and to maintain a vibrant workplace, ORIX stresses continuously providing its employees with opportunities to constantly take on new challenges. We therefore support the acquisition of the experience and knowledge this requires.

In human resource development, we have emphasized knowledge and growth from accumulating up-to-the-minute operating experience through business activities. While placing this at the core of our development efforts, we have taken a composite approach that includes skills and career development training by rank, programs for employees to acquire information in specialized fields appropriate to each department, and support for self-study.

Going forward, while tailoring development to each employee's individual situation, we will focus on giving them the awareness to independently map out mid- to long-term careers, offering opportunities to relearn in order to realize those careers, and providing a workplace where employees can maximize their abilities throughout the Group.

We will work to raise the Group-wide level of digital and IT literacy, which is essential in all business fields.

## Performance Review and Compensation Schemes That Support Development

ORIX has pledged to implement fair performance review and compensation schemes in its ESG-related material issues. Personnel evaluation at ORIX consists of an evaluation of contribution to targets, which assesses the degree to which each employee has achieved goals (performance responsibilities) set together with his or her supervisor. ORIX also implements a role and behavior evaluation, which assesses the degree to which each employee has demonstrated the expected behavior guidelines for each position and grade, and the process used in doing so. Supervisors set targets so their staff can fully demonstrate their potential, and assist them in achieving those targets. For example, supervisors and staff have regular meetings where supervisors present the roles they require and the standards they expect for work, and provide feedback on evaluation results. In addition, to ensure that this system functions fairly and impartially, supervisors receive training to help them understand the system as evaluators and acquire skills to support the careers of their staff.

## Development of Management Personnel

Succession and retention in key posts is considered a core management issue that should be a priority investment for the future. In particular, for key posts, we are working to build a system to form a cross-company pipeline for conducting future-oriented strategic transfer assignments and offering management experience at subsidiaries.

## Human Resources Strategy

## Introducing Our Human Resources

The following are some case studies of our human resources who have experienced a variety of career paths within ORIX, and support our diverse businesses.

Note: Department names are those at the time of assignment.



### Yosuke Otsubo

Head of Electric Power Business  
Department

Joined ORIX as a new university  
graduate in April 1997.

First assignment was Corporate Financial Services. After conducting new graduate recruiting for Human Resources, he engaged in real estate finance and corporate sales as well as ESCO sales in the Energy and Eco Services Business Headquarters. Building on his wide-ranging solutions-based sales experience, he is currently responsible for the electric power retail business and power plant operation.

#### Profile

1997 Gotanda Branch Office, other locations; ORIX Corporation  
2002 Corporate Administration Department, Human Resources Section  
2005 Project Finance Department  
2010 Corporate Business Department  
2016 Electric Power Business Department, Head since 2021



### Mizuho Setogawa

Head of Group Internal Audit  
Department

Joined ORIX as a new university  
graduate in April 1994.

First assignment was Corporate Financial Services. After that, she was engaged for many years in corporate legal affairs, compliance, and internal control, assisting diversified and multinational businesses from a legal perspective as she accumulated expertise in governance and compliance. During the course of her career, she also took childcare leave. Currently, as Head of the Group Internal Audit Department, she leads a team of about 60 in strengthening internal controls in Japan and overseas.

#### Profile

1994 Ueno Branch Office, ORIX Corporation  
1998 Corporate Administration Department  
2003 Legal Department, Group Compliance Department, other departments  
2019 Group Internal Audit Department, Head since 2021



### Hidenori Kuwahara

President of PT Sinar Mitra Sepadan  
Finance

Joined ORIX as a new university  
graduate in April 1998.

First assignment was Corporate Financial Services. Due to his strong overseas orientation, he was transferred to the Overseas Business Department, and has consistently worked outside Japan since then, spending a total of more than 10 years overseas. He has served as CRO/CFO at several overseas subsidiaries and has played a role in their management. Since 2022, he has headed an overseas subsidiary with more than 2,000 employees.

#### Profile

1998 Nara Branch Office, other locations; ORIX Corporation  
2007 Overseas Business Department  
2008 Subsidiaries in Thailand, Indonesia, and other locations  
2022 President of PT Sinar Mitra Sepadan Finance (Indonesia)



### Reiko Okubo

Head of CEO's Office

Joined ORIX mid-career in May 2004.

Joined a major bank as a new university graduate and gained experience in corporate sales. She joined ORIX mid-career because she wanted to be involved in project finance. She accumulated knowledge and experience through projects that were the first of their kind for ORIX, including the Enoshima Aquarium, the acquisition of Robeco, and the airport concession business. Her current duties include providing support for investment projects planned by the business divisions, improving corporate value at existing investees, and review of the Group's portfolio.

#### Profile

1999 Major Japanese bank (previous employer)  
2004 Structured Finance Department, Business & Development, other departments; ORIX Corporation  
2013 Corporate Planning Department, New Business Development Department  
2018 CEO's Office, Head since 2022



# Risk Management

## Approach to Risk Management

ORIX allocates resources in line with Group-wide risk preferences based on management strategies and the strategies of individual business units. We also allocate more resources to business units with growth potential while controlling our balance sheet. We optimize the risk-adjusted allocation of resources by precisely profiling the characteristics of various risks relevant to Group business initiatives worldwide and managing them intelligently according to type and degree of impact.

## Risk Management System

The Board of Directors makes decisions about the risk management system as part of the overarching internal control system. ORIX has the requisite risk management systems and techniques in place to address a wide array of risks both comprehensively and individually. These include executive bodies and departments in charge of risk management, comprehensive rules and regulations, investment standards, and limits on value at risk for deals along with relevant reporting and monitoring systems. The Board of Directors receives an annual report on the operational status of the internal control system and its component risk management system.

Group-wide Risk Management System (As of June 30, 2022)



Executive bodies manage risk under the supervision of the Board of Directors. These bodies and their responsibilities are as follows.

|          |  |
|----------|--|
| <b>1</b> | Deliberates on capital policy, asset and liability management, accounting and taxation, compliance, personnel, and other important management matters. Reports to the Board of Directors as necessary. |
| <b>2</b> | Deliberates on important matters related to sustainability. Reports to the Board of Directors as necessary.  |
| <b>3</b> | Deliberates on specific investment and loan transactions. Reports to the Board of Directors as necessary.  |
| <b>4</b> | Deliberates on important matters concerning fundamental IT strategies and the introduction and maintenance of IT systems.  |
| <b>5</b> | Aggregates important information, considers needs and methods for timely disclosure, and coordinates disclosure.   |
| <b>6</b> | A forum for all executive officers to share important information related to Group business administration.  |
| <b>7</b> | A forum for business unit managers to discuss the status of strategy implementation and changes in the business environment with top management.   |

Internal control-related functions laterally identify, analyze, and manage Group risks under their control. They also help business units manage risk.

Business units autonomously manage risk in line with business strategies and plans. They regularly verify risks and returns according to the progress of projects and changes in the external environment.

## Risk Management

### Risk Factors and Risk Management

| Risk Factors           | External environment-related risk  | Credit risk  | Business risk   | Market risk   | Liquidity risk (risk related to funding)   |
|------------------------|--|--|---|---|--|
| <b>Risks</b>           | <ul style="list-style-type: none"> <li>Global economic and political change</li> <li>Occurrence of war, riots, or terrorism</li> <li>Natural disasters, abnormal weather due to climate change or other factors, fires, and outbreaks of infectious diseases</li> </ul>  | <ul style="list-style-type: none"> <li>Increase in credit-related costs in financing business (incl. leasing and installment loans)</li> </ul>   | <ul style="list-style-type: none"> <li>Project management failures in business expansion, M&amp;A, joint ventures with other companies, or alliances</li> <li>Losses on assets due to fluctuations in the price of portfolio and investment assets</li> <li>Lower earnings in the asset management business due to asset price fluctuations</li> </ul>            | <ul style="list-style-type: none"> <li>Negative effect on earnings and assets due to large fluctuations in interest rates and exchange rates</li> <li>Derivative transactions do not have the intended economic effect</li> <li>Financial impact of price fluctuations on portfolio securities</li> </ul>   | <ul style="list-style-type: none"> <li>Constraints on new funding and refinancing, and higher funding costs</li> <li>Increased interest costs and reduced funding capabilities due to lower credit rating</li> </ul>   |
| <b>Risk Management</b> | <ul style="list-style-type: none"> <li>Diversify ORIX's revenue structure by operating in multiple businesses and ensure sufficient liquidity to systematically enable consistently sound financial management</li> <li>Maintain disaster risk management system</li> <li>Maintain climate change risk countermeasures</li> </ul>                      | <ul style="list-style-type: none"> <li>Comprehensively evaluate customer credit based on the customer's financial position, cash flow, underlying security interests, profitability, and other factors of individual credit transactions</li> <li>Enhance credit risk management for individual transactions and portfolios (acquire sufficient collateral and guarantees, diversify industries and creditors, and control exposure to potentially high-risk markets)</li> </ul> | <ul style="list-style-type: none"> <li>Thoroughly analyze risk before launching businesses and investing (scenario analysis and stress tests)</li> <li>Evaluate and verify product and service quality improvement and withdrawal costs through regular monitoring after launching businesses and investing</li> </ul>  | <ul style="list-style-type: none"> <li>Systematically manage and control assets and liabilities (comprehensively verify and understand market risk, and hedge it with derivatives)</li> </ul>   | <ul style="list-style-type: none"> <li>Diversify funding methods</li> <li>Strengthen management of liquidity on hand (conduct liquidity risk stress tests and employ countermeasures, and understand liquidity risk for each country and subsidiary and employ countermeasures)</li> </ul> |
| Risk Factors           | Compliance risk  | Legal risk   | Information and cybersecurity risk  | Operational risk  |  |
| <b>Risks</b>           | <ul style="list-style-type: none"> <li>Decline in trust and loss of corporate value due to behavior by organizations and individuals that violates laws or company regulations or deviates from social norms</li> </ul>  | <ul style="list-style-type: none"> <li>Restrictions on business activities from laws, regulations, and regulatory authorities in each country ORIX serves</li> <li>Restrictions on business activities from higher costs to address the enactment, revision, or change of laws and accounting standards</li> </ul>   | <ul style="list-style-type: none"> <li>Loss, damage, or leakage of customer information including personal information and information assets such as ORIX Group financial and personnel information</li> <li>Interruption of services and corporate activities caused by system failures due to cyberattacks, computer viruses, or other factors</li> </ul>      | <ul style="list-style-type: none"> <li>Loss of market trust due to being regarded as having ineffective internal control over financial reporting</li> <li>Ineffective risk management in addressing rapid business expansion and changes in the external environment</li> <li>Reduced operational quality and unreliable business continuity due to inability to develop, bring on, and retain diverse human resources</li> <li>Other various operational risk events arising as a result of conducting diverse businesses</li> </ul>  |  |
| <b>Risk Management</b> | <ul style="list-style-type: none"> <li>Systematically implement appropriate compliance, and promote a highly ethical culture of compliance (formulate and implement annual compliance programs, enhance awareness of compliance through internal regulations and communication, and maintain internal and external whistle-blower channels)</li> </ul> | <ul style="list-style-type: none"> <li>Systematically ensure legal compliance and manage legal risk (enforce internal rules for legal compliance, understand laws and regulations applicable to each business, and respond appropriately to legal revisions)</li> </ul>  | <ul style="list-style-type: none"> <li>Systematically manage information risk (enforce internal regulations, implement technical measures such as measures to manage information system vulnerability and protect networks, maintain systems for responding to information security incidents, and implement measures to mitigate system failure risk)</li> </ul> | <ul style="list-style-type: none"> <li>Develop, disseminate, and inculcate internal rules</li> <li>Employ execution of operations framework                             <ul style="list-style-type: none"> <li>Establish internal control systems for financial reporting</li> <li>Deploy personnel systems and work environments to reliably bring on and retain diverse human resources</li> </ul> </li> <li>Continuously strengthen the overall risk management system with operational risk monitoring by the Internal Audit Department</li> <li>Maintain a system for responding to and preventing recurrence of operational risk incidents, in addition to self-assessment of risk control</li> </ul> |  |

# Sustainability

## Approach to Promoting Sustainability

At ORIX, we are focusing on the following in promoting sustainability:

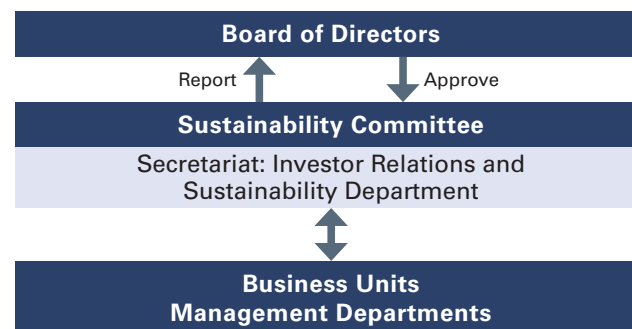
| Understand our material issues  |
|---|
| Identify and understand material sustainability issues for ORIX.  |
| Identify and pursue opportunities   |
| Seek out new business opportunities that arise from responding to and resolving sustainability issues.  |
| Identify and manage sustainability-related risks  |
| Analyze our sustainability issues from a risk management perspective.   |
| Engage with stakeholders  |
| Engage with all stakeholders, maintain transparency in our operations, and adequately consider stakeholder feedback in our activities; encourage business partners and suppliers to support the ORIX Corporate Sustainability Policy. |
| Develop employee awareness  |
| Develop employees' awareness of the ORIX Corporate Sustainability Policy, and, when necessary, provide guidance on how to implement it; develop employee awareness and knowledge of our material sustainability issues.               |

## Sustainability Governance Structure

ORIX established the ORIX Sustainability Team (currently the Investor Relations and Sustainability Department) in July 2019 to promote and implement sustainability and make initiatives more transparent. The Investor Relations and Sustainability Department reports on sustainability activities to senior management, including the Board of Directors, the Executive Committee, and the CEO, and seeks approval from these bodies for major sustainability-related decisions. The Investor Relations and Sustainability Department promotes and implements sustainability working closely with departments in charge of Group management and various business units.

In November 2021, the Sustainability Committee was established as an executive body that ensures Group-wide consistency for ESG-related material issues and key goals across the organization. The Investor Relations and Sustainability Department continues to lead company-wide sustainability promotion and implementation as the secretariat of the Committee.

### Sustainability Governance Framework



## Sustainability Committee

### Purpose and Position of the Sustainability Committee

The Sustainability Committee plays a role in steadily executing important ESG-related material issues and key goals across the organization. The Committee clarifies strategic approaches, KPIs, and action protocols; the results of its deliberations are then reported to and approved by the Board of Directors.

### Composition of the Sustainability Committee

The Group CEO serves as chairperson for the committee. Committee members include those in charge of segments directly related to ESG, and the committee is configured flexibly so other stakeholders can participate as necessary depending on the topic/agenda. The committee also calls on external experts to join as needed.

### Role of the Sustainability Committee

1. Discussion of specific measures to achieve ESG-related key goals
2. Discussion of any conflicts arising between short-term earnings and long-term growth
3. Discussion of measures to reduce climate change risk following the TCFD (Task Force on Climate-related Financial Disclosures) framework
4. Sharing of information on corporate sustainability developments both in Japan and overseas
5. Discussion of matters to report to the Board of Directors