



Supply Chain Management

Our Approach

The suppliers who provide ORIX with various goods and services are indispensable to the continuation of our business. ORIX recognizes that it is our responsibility to society to exercise our influence to build a sustainable supply chain. Reflecting this recognition, fair and equitable dealings with our stakeholders is a tenet in the Code of Conduct, which applies to all ORIX Group employees, and we have included our suppliers in the scope of our ORIX Human Rights Policy and ORIX Environmental Policy.

In addition to our long-standing commitment to high service quality, by working with our suppliers to promote sustainability initiatives such as reducing environmental impact and respecting human rights, we aim to continue to be the company of choice for our stakeholders.

Due to factors such as the physical nature of the work involved, ORIX's auto, ICT-related equipment, and real estate businesses have an elevated risk relative to ORIX's other businesses that their suppliers' business activities may have a negative impact on human rights (e.g., worker injury) and a negative impact on the natural environment (e.g., inappropriate disposal of hazardous substances). To build a sustainable supply chain, ORIX will work with its suppliers to establish firm and consistent compliance with laws and regulations related to occupational health and safety and environmental protection.

Key Sustainability Issues

- Respect employees' human rights and ensure appropriate working conditions
- Ensure the occupational health and safety of employees
- Avoid environmental pollution in operations and be environmentally responsible
- Improve the safety and quality of the products and services we provide
- Ensure information security
- Formulate a business continuity plan (BCP)

Engagement activities:
Understand and evaluate the status of initiatives; request improvements for issues, and provide relevant support

ORIX Businesses	Examples of Suppliers
Auto	<ul style="list-style-type: none">• Vehicle and parts manufacturers• Contractors for vehicle maintenance, bidding venue management, land transportation, etc.• Franchisees and agents
ICT-related Equipment	<ul style="list-style-type: none">• ICT equipment and measuring equipment manufacturers• Contractors for calibration, kitting, logistics, etc.
Real Estate	<ul style="list-style-type: none">• Suppliers of ingredients and consumables, etc.• Contractors for construction, repairs, renovations, cleaning, security, inspection, etc.

Initiatives

- In our Company policy regulating the use of outside service providers, which applies across the entire Group, we screen for not only regulatory compliance but also any matters of concern regarding business ethics when selecting or renewing outside service providers.
- We have begun risk identification and data gathering to more accurately assess the situation around our business units that, due to the nature of their business, are especially reliant on their suppliers.
- ORIX Rentec, our ICT-related equipment rental business, conducted its first independent survey of its material suppliers in 2023 to ascertain how strictly they were complying with relevant laws and regulations and what work they were doing regarding sustainability. Going forward, it will continue to conduct periodic surveys to identify and address issues.
- ORIX Corporation and ORIX Life Insurance Corporation have formulated and disclosed declarations regarding their efforts to build partnerships as well as multi-stakeholder policies.

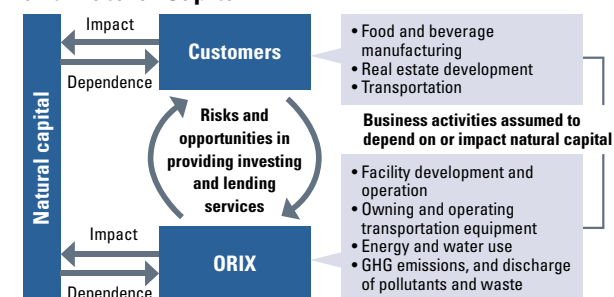
Biodiversity

Our Approach

ORIX Environmental Policy stipulates that we “give due consideration to our impact on biodiversity.” ORIX Group recognizes it both depends on and impacts the natural environment both directly through its own business activities and indirectly through the business activities of its customers.

We will continue to analyze the relationship between our value chain and natural capital from both a risk and an opportunity perspective, and use the insights gained to inform how we can continue to address social issues through our business activities.

The Relationship between Our Business Activities and Natural Capital



Initiatives for Risk Reduction

- Our governance structure constitutes deliberation on sustainability issues, including biodiversity, by the Sustainability Committee, with such deliberations being reported to the Board of Directors.
- As an ESG-related key goal, we have set a target to reduce the balance of our investments and loans in sectors with high environmental impact, such as fossil fuel mining, palm oil plantations, and forestry.
- In addition to the above, we prohibit new transactions in certain sectors and business practices that negatively impact biodiversity such as the manufacture, use, and importing/exporting of internationally prohibited agricultural chemicals, pesticides and herbicides, dynamite fishing, and the handling of specific wildlife species.
- In our renewable energy business, we engage in dialogue with local communities and experts and conduct environmental assessments in accordance with laws and regulations. In addition, we have voluntarily established Guidelines for Environmental and Social Considerations and are taking biodiversity considerations into account when conducting our business activities.

Initiatives to Create Business Opportunities

- Robeco integrates a sustainability perspective, including biodiversity, into its business strategy, and incorporates sustainability into its investment criteria across most of its portfolio. By exerting influence throughout the entire investment process, including selection of investees, monitoring, and exercise of voting rights, Robeco provides not only investment returns but also social impact.
- The SUMIDA AQUARIUM and the KYOTO AQUARIUM provide opportunities for visitors to learn about and be inspired by organisms and ecosystems. They also contribute to biodiversity through conservation, education and research. Specifically, the aquariums engage in conservation activities of rare and endangered species such as sea turtles and giant salamanders, run educational programs such as workshops at the aquariums and at public schools on local ecosystems, and conduct research on preventive veterinary medicine. In addition to collaborating with local governments, regional communities, and educational institutions, we also invite the participation of our business partners who support our aims and objectives.



Human Rights

Our Approach

ORIX recognizes its responsibility as a corporation to incorporate consideration of human rights into its business activities in order to realize a sustainable society.

There is a risk that our business activities may cause, encourage, or be associated with human rights violations, either through our own actions or decisions or through those of our external stakeholders, such as investees, clients, and suppliers.

We strive to prevent any direct human rights violations by requiring our own employees to comply with our relevant policies (described below). We also strive to prevent any indirect human rights violations through the screening, monitoring, and engagement processes with our investees, clients, and suppliers. When negative impacts occur despite our prevention efforts, we will take corrective measures to address them.

▶▶▶ [ORIX Human Rights Policy](#)

Initiatives

- ORIX prohibits investments and loans in sectors that may have a negative impact on human rights in accordance with the ORIX Sustainable Investment and Lending Policy.
- ORIX has established internal and external reporting systems to accept human rights-related consultations and reports from both internal and external parties.
- In accordance with the UK Modern Slavery Act, we update and disclose our Modern Slavery Act Statement on an annual basis.

▶▶▶ [Internal Whistleblower System](#) ▶▶▶ [External Whistleblower System](#)
▶▶▶ [Response to the United Kingdom's Modern Slavery Act 2015](#)

New and Planned Future Initiatives

- In April 2024, ORIX revised our ORIX Human Rights Policy to strengthen and clarify the relevant human rights impacts and stakeholders.
- In the future, we plan to conduct dedicated training for all employees on our revised Human Rights Policy to strengthen employee understanding, leading to more effective implementation of the policy.
- We are raising our employees' awareness of human rights through harassment training and various other training for all employees. In addition, more intensive training is provided for some business units that we concluded in a desktop analysis have relatively elevated potential for human rights risk due to their more extensive supply chains.
- In the aforementioned business units with relatively elevated human rights risks, we are taking actions to better manage our human rights risk, such as enhanced diligence to confirm or clarify the findings of our desktop analysis and formulating specific preventive and mitigating measures tailored to each unit's human rights risk profile.
- Initiatives concerning respect for human rights are discussed and approved by the Sustainability Committee and reported to the Board of Directors.

▶▶▶ [Our System and Efforts to Achieve Respect for Human Rights](#)

Sustainable Investing and Lending

Our Approach

ORIX recognizes that sustainability matters, which involve environmental, social, and governance themes, may have material impacts on the organization's long-term risks and opportunities, and that considering sustainability in decision-making is an extremely important and essential requirement for doing business. We believe that incorporating sustainability requirements into the consideration of investing and lending initiatives helps us better understand the risks and opportunities associated with our businesses and initiatives, resulting in benefits for our customers and shareholders.

ORIX formulated its ORIX Sustainable Investing and Lending Policy in September 2019 with the mission of implementing sustainable investing and lending. Based on this policy, potential investing and lending transactions submitted to the Investment and Credit Committee (ICC) go through screening from an ESG perspective using the Sustainable Investing and Lending Checklist. The ICC decides whether to green light the project after thorough consideration regarding the environmental and social impacts of each individual transaction, and may disallow a matter if it determines that the involved counterparty poses environmental or social risks.

▶▶▶ [ORIX Sustainable Investing and Lending Policy](#)

Initiatives

ORIX prohibits all investing and lending transactions involving companies, sectors, and business activities that fall under the following categories:

1. Organizations that carry out forced labor, child labor, human trafficking, or any other practices defined as human rights offenses by the UK Modern Slavery Act 2015
2. Organizations that are operating in countries/regions determined as high risk in relation to human rights violations and have participated in human rights violations
3. Sectors/business practices in which new transactions are prohibited

	Sectors and Business Practices in Which New Transactions Are Prohibited
1	Manufacturing, using, storing, and importing/exporting controversial weapons, including cluster munitions, anti-personnel landmines (violation of the Oslo/Ottawa Treaties), chemical weapons, biological weapons, depleted uranium ammunition, nuclear weapons, and firearms
2	Manufacturing, using, supplying, and importing/exporting asbestos and other prohibited hazardous chemicals (violation of the Japanese Industrial Safety and Health Act)
3	Manufacturing, using, and importing/exporting internationally prohibited agricultural chemicals, pesticides, and herbicides (violation of the Stockholm Convention on Persistent Organic Pollutants)
4	Engaging in dynamite fishing, otherwise known as blast fishing (violation of the Act on the Protection of Fishery Resources)
5	Handling specific prohibited wildlife (violation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora, otherwise known as the Washington Convention)
6	Engaging in business practices involving pornography or the sex trade
7	Engaging in business practices involving illegal casinos

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 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, 2024)



Executive bodies manage risk under the supervision of the Board of Directors. These bodies (corresponding with the list at left) and their responsibilities are as follows.

1	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.
2	Deliberates on important matters related to sustainability. Reports to the Board of Directors as necessary.
3	Deliberates on specific investment and lending transactions. If needed, matters are additionally deliberated by the Executive Committee and reported to the Board of Directors.
4	Deliberates on important matters concerning fundamental IT policies and strategies as well as the introduction and maintenance of IT systems.
5	Aggregates important information, considers needs and methods for timely disclosure, and coordinates disclosure.
6	A forum for all executive officers to share important information related to Group business administration.
7	A forum for business unit managers to discuss strategy 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

Development of Integrated Risk Management System by Using Risk Dashboards



Jun Shimamoto
General Manager of
ERM Department
Assistant to Responsible for
ERM Department
Group Strategy Business Unit

Profile
Joined ORIX in August 2003 with prior experience in auditing and banking. At ORIX, she has been engaged in credit and investment businesses such as real estate finance, non-performing debt investment, and concessions, and assumed her current position in April 2023.

The mission of the ERM Department is to accurately identify and assess the risk characteristics of ORIX Group’s global, diversified portfolio, and to contribute to management decision-making and the Group’s business growth by providing timely and appropriate risk information.

ORIX Group excels at conducting thorough due diligence on individual transactions, regardless of the amount or scale of a business. The Group has leveraged this strength over the years to take on appropriate risks and to expand and diversify its business scale, domains, and the

countries and regions it serves. However, Group-wide risk exposure has also become more diversified, making it harder to understand and assess those risks. With the increasing significance of risk management, it had become critical for the Group to establish a Group-wide integrated risk management system.

Currently, the ERM Department covers three risk areas, consisting of portfolio risk, market and liquidity risk, and operational risk. Through the design and management of the risk dashboard, we help management clearly and intuitively grasp the degree of risks through visualized data.

For portfolio risk, the ERM Department manages the risk dashboard, which presents the financial position of the balance sheet for each of the 10 business segments, and visualizes estimated risk exposure, stress test results, various risk indicators suitable for grasping the risks concerning respective business portfolios, as well as the overview and updates of key investment projects. Regarding market and liquidity risk, we monitor Group-wide financial soundness, quantify market risk with reference to foreign exchange and interest rates, and monitor adequacy of Group liquidity. In terms of operational risk, we capture incidents* in a timely manner across the world, including the applicability of economic loss, based on the Group’s Incident Management Rules. We also assess and analyze incident trends by level, type, and segment on the risk dashboard, which allows us to manage risks in a manner that responds to our diversifying business.

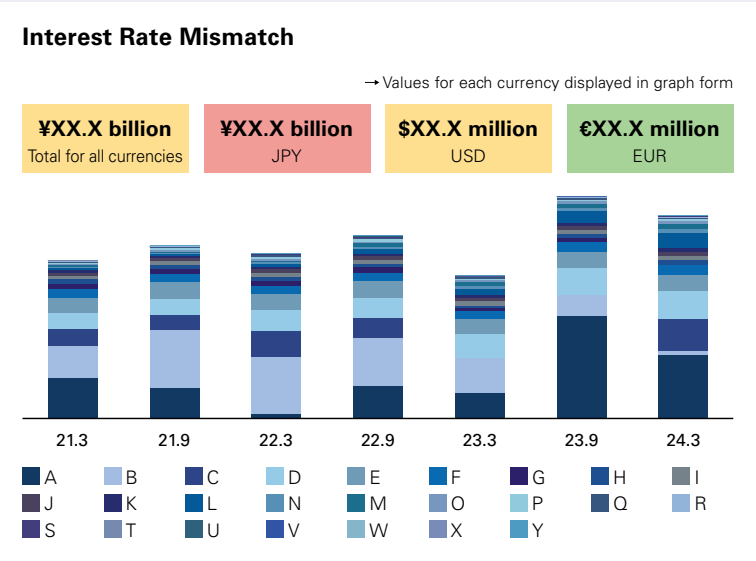
For a timely and appropriate response to our diversified business and the ever-changing business environment, proactive risk management through digitization, automation and collaboration with relevant corporate functions is essential. Therefore, talent acquisition and development aligned to these strategic needs are vital.

The ERM Department is comprised of members with diverse backgrounds, experience, expertise, and values, including new university graduates, mid-career hires, working mothers, and foreign nationals. We

hope to build and evolve a risk management system that supports the growth of ORIX Group. We will do this by both maximizing individual strengths and expertise and encouraging individual growth but also promoting collaborative approaches in the spirit of "Finding Power in Diversity," as laid out in ORIX Group’s purpose statement.

* An incident is an occurrence or event that may negatively impact our business operations or reputation or any claims or demands from external parties such as our customers.

Example of Risk Dashboard





Risk Management

Risk Factors and Risk Management

Risk Factors	Risk Management	Departments Handling Risks	Executive Bodies Related to Risk Management
External environment-related risk	<ul style="list-style-type: none">Establishment of a system that enables sound financial operation to continue by diversifying our profit structure with diversified business development and by securing sufficient liquidityEstablishment of a disaster risk management system<ul style="list-style-type: none">▶▶▶ Disaster Risk Management SystemEstablishment of a system to respond to climate change risks<ul style="list-style-type: none">▶ Page 40 Sustainability Governance Structure▶ Page 46 Information Disclosure Based on TCFD Recommendations	Corporate planning, Credit, Public relations, Public affairs, Investor relations, Sustainability, Treasury, ERM	Executive Committee Sustainability Committee
Credit risk	<ul style="list-style-type: none">When appraising individual projects, comprehensively evaluate the credit recipient's financial condition, cash flow, underlying security interests, profitability, etc.Strengthen credit risk management methods for individual projects and portfolios (obtaining sufficient collateral and guarantees, diversifying industries and credit recipients, controlling exposure to potentially high-risk markets)<ul style="list-style-type: none">▶▶▶ Risk Management System for Investing and Lending	Credit, Corporate planning, Accounting, ERM	Investment and Credit Committee
Business risk	<ul style="list-style-type: none">Thoroughly analyze risk (scenario analysis and stress testing) before executing a business or investmentImprovement of the quality of products and services through regular monitoring as well as evaluation and verification of withdrawal costs, after execution of businesses and investments<ul style="list-style-type: none">▶▶▶ Risk Management System for Investing and Lending	Credit, Corporate planning, Accounting, ERM	Investment and Credit Committee
Market risk	<ul style="list-style-type: none">Establishment of an integrated management system for assets and liabilities (comprehensive understanding and verification system for market risks, using derivative transactions as a means of hedging)	Credit, Treasury, Corporate planning, Accounting, ERM	Executive Committee
Liquidity risk (risk related to funding)	<ul style="list-style-type: none">Promotion of diversification of procurement methodsStrengthen management of liquidity on hand (implementing stress tests of liquidity risk and developing countermeasures, understanding liquidity risks for each country as well as subsidiary and developing countermeasures)	Treasury, ERM	Executive Committee
Compliance risk	<ul style="list-style-type: none">Establishment of an effective compliance structure alongside a corporate culture that values high ethical standards (formulating and implementing a compliance program, establishing internal regulations and promoting compliance awareness through activities to disseminate information, establishing internal and external compliance hotlines)<ul style="list-style-type: none">▶▶▶ Compliance	Compliance, Public relations, Public affairs	Executive Committee Sustainability Committee
Legal risk	<ul style="list-style-type: none">Establishment of a legal compliance and legal risk management system (establishing internal regulations for legal compliance, understanding laws and regulations applicable to each business, and implementing appropriate responses to revisions to the law)	Legal, Accounting, Investor relations, Sustainability	Executive Committee Sustainability Committee
Information / cybersecurity risk and IT risk	<ul style="list-style-type: none">Establishment of an information/cybersecurity risk, and IT risk management system (establishing internal regulations, implementing technical measures such as vulnerability management measures for information systems and network protection, establishing systems for response in the event of information cybersecurity incidents, and implementing measures to reduce the risk of system failures)<ul style="list-style-type: none">▶▶▶ Information Security	Information Security	Information Technology Management Committee
Operational risk	<ul style="list-style-type: none">Establishing, disseminating, and training about internal regulationsEstablishment of systems related to execution of operations<ul style="list-style-type: none">– Building an internal control system for financial reporting– Establishment of a personnel system and a work environment to stably secure diverse human resources<ul style="list-style-type: none">▶▶▶ Human Resources Strategy to Support Sustainable Growth– Continuously strengthen the overall risk management system through monitoring of operational risks by the Audit DepartmentEstablishing system for responding to and preventing recurrence of operational risk incidents, and risk control self-assessment<ul style="list-style-type: none">▶▶▶ Incident Management System	ERM, Human resources, Corporate administration, Accounting, Public relations, Public affairs	Executive Committee Sustainability Committee



Promoting a Digital Transformation

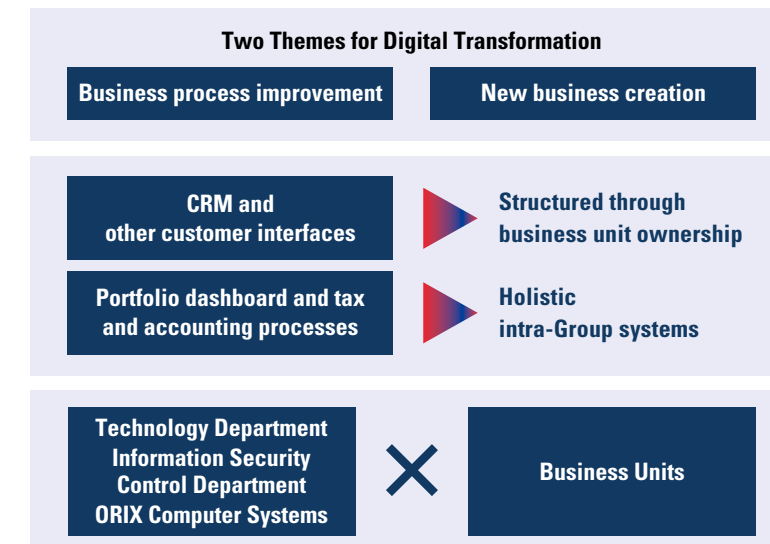
Business Process Improvement and New Business Creation

ORIX is undertaking digitalization to fully deploy the intellectual capital of its accumulated knowledge and expertise. We are therefore transitioning to digital processes with due consideration for the diversity of our businesses, which involves striking a balance between what is optimal for each individual business and for the Group as a whole. We categorize our promotion of digital transformation into two themes: business process improvement from digitalizing and streamlining internal operations, and 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 as a whole.

We have 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. Each business unit has its own people and team specializing in digitalization. The digitalization promoted by business units is based on an approach of discrete optimization. Concurrently, the Technology Department and other organizations manage intra-Group issues including enterprise architecture, governance, and analytics to ensure high-quality holistic optimization.

For example, in systems development, each business unit takes ownership of the development of its customer relationship management (CRM) and other customer interfaces. From the perspective of holistic optimization, intra-Group systems are limited to building dashboard functions that enable rapid business portfolio monitoring and functions related to tax and accounting matters. However, we address large-scale projects such as upgrading core systems where close communication with related departments is required, with a collaborative Group-wide organization.



Using AI to Expand the Scope of Medical Insurance Underwriting

ORIX Life Insurance is upgrading its stable IT environment to support sustainable growth and provide products and services that satisfy customers as its business expands. It has integrated multiple call center systems and moved core and business systems to the cloud to achieve significant improvements in productivity and operational efficiency,

including reduced processing and service development time. The company's efforts to improve customer convenience also entail aggressive digitalization in all aspects of its business. Achievements include a function that reads medical statements using AI-OCR* and automatically displays the names of injuries, illnesses, and operations on smartphones and other devices, and a service that allows the online submission of benefit claims.



In October 2023, ORIX Life Insurance structured and began using new underwriting assessment rules that employ AI to expand the scope of medical insurance underwriting. We considered various approaches to formulating new underwriting assessment rules because we recognized that more detailed assessment might enable us to provide coverage to customers who had been ineligible or only eligible under certain conditions due to past medical history or chronic disease. We were the first in Japan to adopt Virtual Underwriting, an AI model from French company SCOR SE, using it to conduct a virtual simulation of what would happen if we were to unconditionally underwrite injuries and illnesses that we did not in the past. We analyzed which of approximately 3 million data points, such as age and number of days since discharge from hospital, would help us expand underwriting scope. Drawing on this analytical data, we created a model that calculates the benefit incidence rate for each injury or illness and risk tolerance in terms of insurance premiums. We then deployed benefit incidence rate and risk tolerance in considering underwriting potential for each injury or illness, and discovered that the loss ratio could be within the risk tolerance range even if we expanded underwriting scope for some

injuries and illnesses. We projected that we could expand the unconditional underwriting rate to 90% overall from 70% for injuries and illnesses for which we are best able to expand underwriting. We will continue to further improve customer satisfaction and expand into new markets while taking into account factors that may affect actuarial projections, such as periodic review of rules and the development of new therapies.

*Optical character recognition device equipped with artificial intelligence.

Virtual Underwriting Process

