

Management Strategies

ORIX's Business Portfolio

In 38 countries and regions, ORIX conducts a diverse array of businesses including leasing, loan, investment, life insurance, banking, asset management, auto-related business, real estate, and environment and energy. We manage this business portfolio by dividing it into six segments (Table 1).

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

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

Table 1: Six Segments

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

[→ Page 68, Segment Overview](#)

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

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

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

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

Table 2: Three Categories

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

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

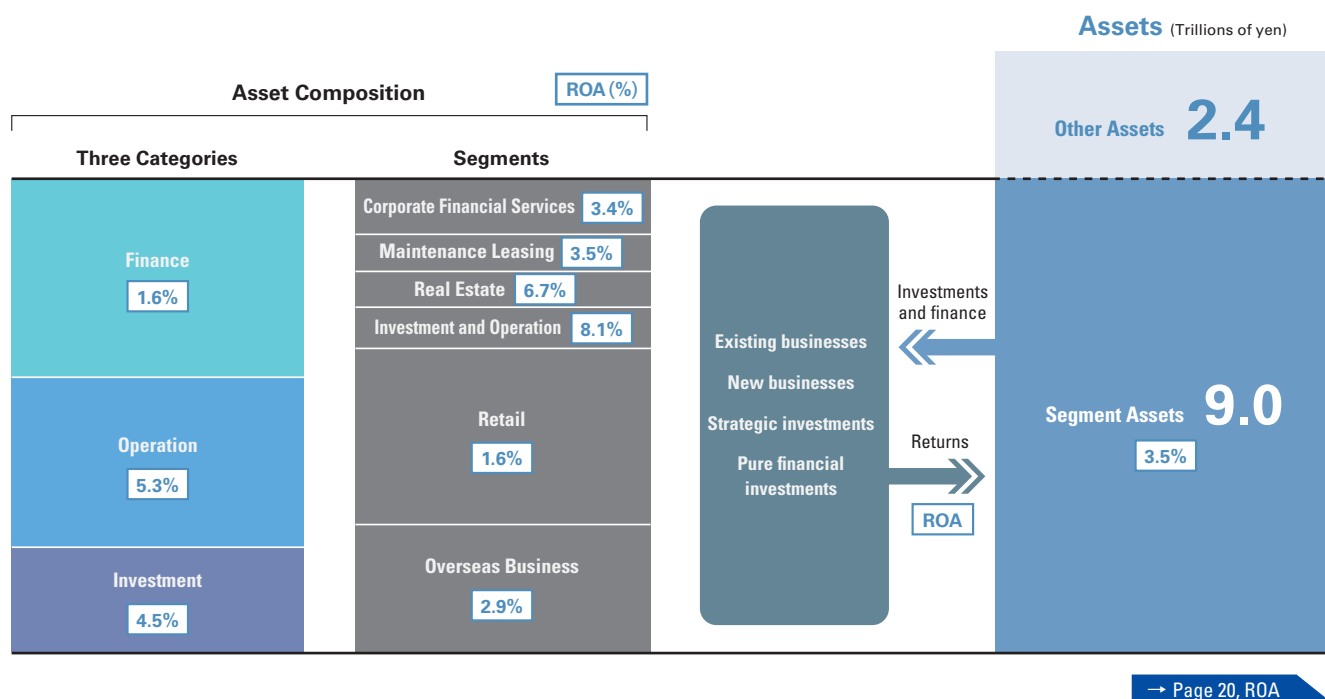
Three Categories

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

ORIX from a Balance Sheet Perspective (As of March 31, 2018)

Assets

Actively invest in businesses for which we expect sustainable growth and suppress the addition of low-return assets.



Assets

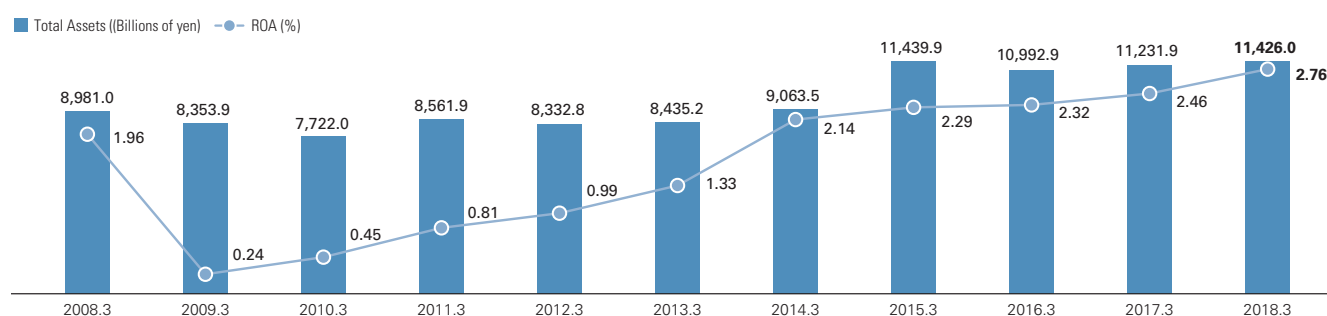
Our Three Categories

- Given the current low-interest-rate environment, we are focusing greater new investment on Operation and Investment than on Finance.
- New investment in Operation and Investment in FY2018.3 totaled approximately ¥740 billion.

By Segment

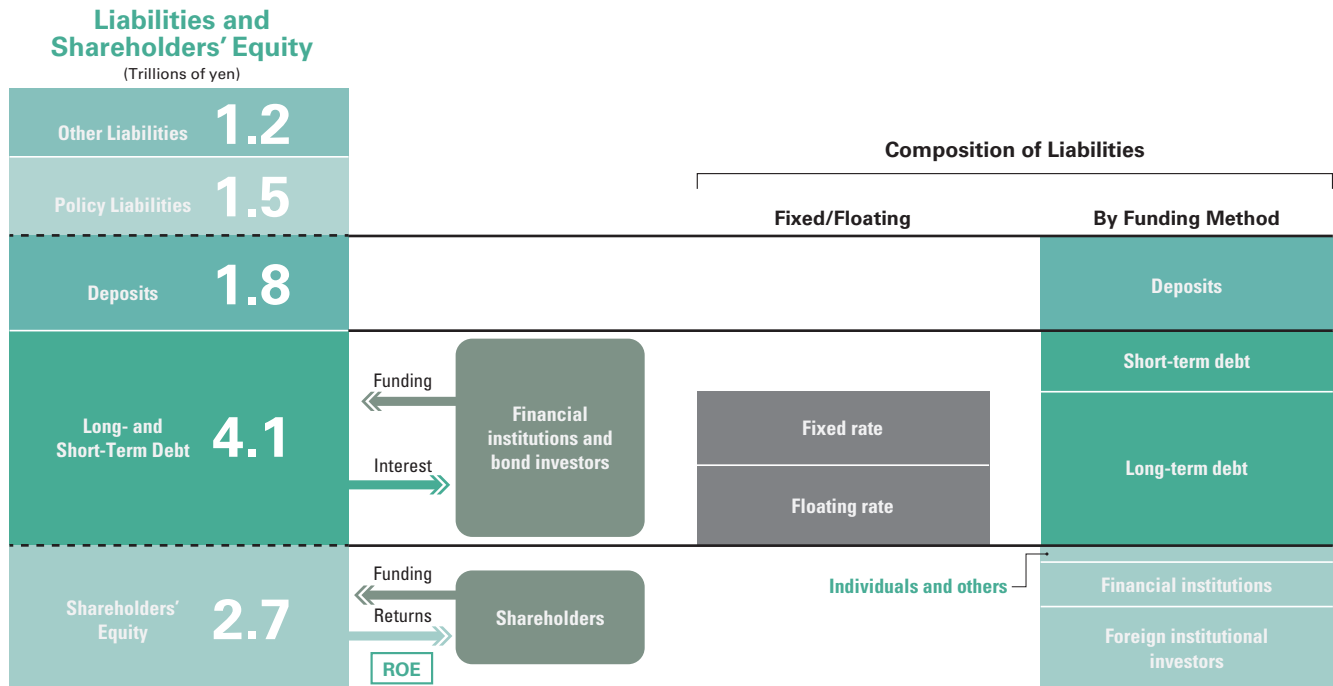
- Aircraft, ships (Overseas Business), environment and energy (Investment and Operation) and banking (Retail) were primarily responsible for growth in segment assets as of March 31, 2018.
- The Real Estate segment accounted for 7% of assets as of March 31, 2018 (25% as of March 31, 2008).

Total Assets and ROA



Liabilities and Equity

Aim for ROE of 11% or higher with financial leverage that can maintain our single A credit rating.



Liabilities

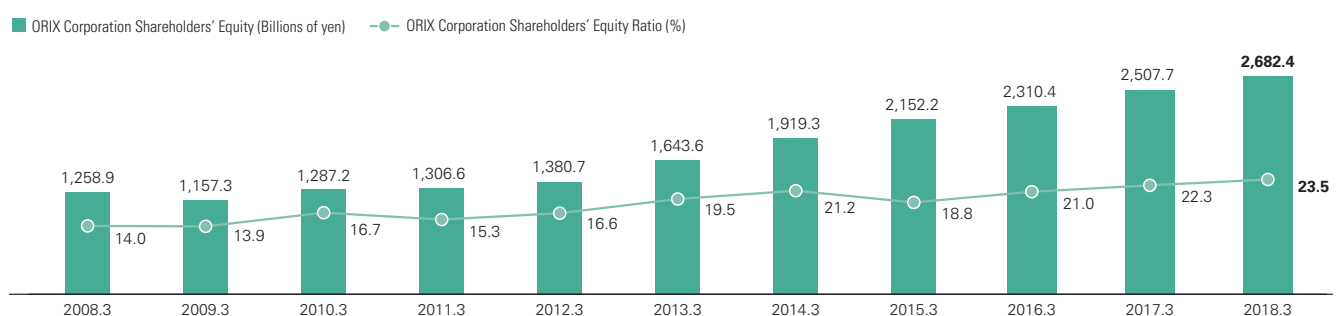
- We diversified funding, lengthened maturities and laddered repayment to ensure adequate liquidity on hand.
- The total of cash, cash equivalents and unused commitment lines at the end of March 2018 was ¥1.7 trillion. The share of long-term debt (excluding deposits) was 93% (77% as of March 31, 2008).
- The D/E ratio (including deposits) as of March 31, 2018 was 2.2 times (5.0 times as of March 31, 2008).

Equity

- Share repurchases will take into consideration the necessary level of retained earnings, and we will respond flexibly and agilely to changes in the operating environment, trends in share prices, financial conditions, and target business indicators.

→ Page 28, Financial and Capital Strategies

ORIX Corporation Shareholders' Equity and Shareholders' Equity Ratio



CEO Inoue on Strategy

We Will Transition to a More Mature Business Platform as a Truly Global Company

Overview of FY2018.3

In FY2018.3, we posted net income of ¥313.1 billion, surpassing the mid-term net income target of ¥300 billion we announced in 2015. We have achieved average growth of 10% in net income over the past three years and set record highs for four consecutive years. Return on equity (ROE) as of March 31, 2018 was 12.1%, and above 10% for the fifth consecutive year. We also demonstrated our financial soundness by maintaining our single A credit rating. We have reached all the

targets for profit growth, capital efficiency, and financial soundness announced in our mid-term strategic directions in 2015.

In our new investments, we expanded business in the Operation category by investing in a geothermal power company and acquiring a mortgage servicing company for seniors in the United States. Overall, we made new investments of around ¥740 billion in the Operation and Investment categories in FY2018.3, an increase of more than 20% from the roughly ¥600 billion we invested in the previous fiscal year.

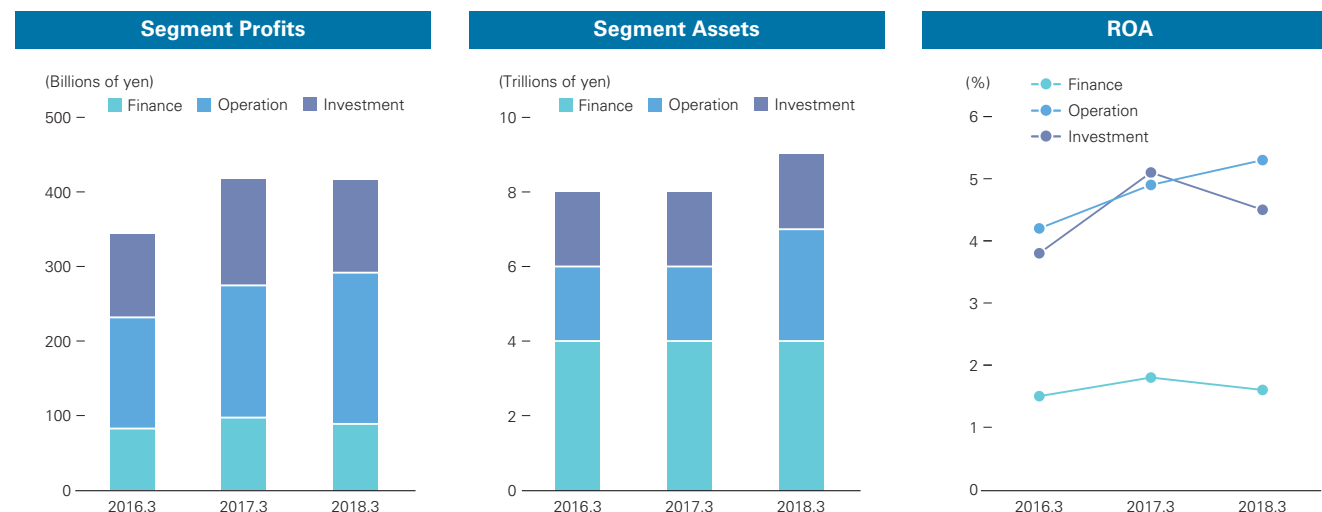
Review of Previous Mid-Term Directions

	FY2015.3 Results		FY2018.3 Targets	FY2018.3 Results		Evaluation
Profit Growth (Net Income)	¥234.9 billion		¥300.0 billion	¥313.1 billion		Achieved
Capital Efficiency (ROE)	11.5%		11%-12%	12.1%		Achieved
Financial Soundness (Long-Term Credit Rating)	R&I	A+ (Stable)	Single A	R&I	A+ (Stable)	Achieved
	S&P	A- (Negative)		S&P	A- (Negative) ¹	
	Fitch	A- (Stable)		Fitch	A- (Stable)	
	Moody's	Baa1 (Stable)		Moody's	A3 (Stable) ²	

1. Outlook changed from stable to negative as of August 10, 2018.

2. Upgraded from Baa1 to A3 as of April 16, 2018.

Results in Our Three Categories



Notes: 1. FY2016.3 Operation category profits exclude capital gains/valuation gains (approximately ¥39.6 billion) associated with the IPO of Houlihan Lokey and ordinary profit/loss contribution from HLIKK.

2. FY2017.3 Operation category profits exclude ordinary profit/loss contribution from HLIKK.

3. FY2018.3 Operation category profits exclude capital gain from the sale of Houlihan Lokey shares and ordinary profit/loss contribution from HLIKK.

Management Strategies

New Investment in Key Areas in FY2018.3: Approximately ¥740 billion

Operation	Environment and Infrastructure ¥120 billion	<ul style="list-style-type: none"> The environment and energy business expanded in Japan and is also investing overseas Overseas: New investment in geothermal energy business (Ormat Technologies Inc.) Japan: Additional investment in mega solar and other, construction of power plants
	Financial Services, Maintenance Services ¥130 billion	<ul style="list-style-type: none"> New investments in the Americas, including acquisition of Lancaster Pollard Holdings LLC, a mortgage servicing company Acquired Yodogawa Transformer Co., Ltd., the largest renter of power receiving and transforming facilities and equipment in Japan
Investment	Fixed Income ¥140 billion	<ul style="list-style-type: none"> Primarily investments in municipal bonds and CMBS in the Americas
	Tangible Assets ¥310 billion	<ul style="list-style-type: none"> Purchased 68 aircraft (including joint venture investments) and invested in ship mortgage loans New investments in logistics centers and others
	Equity Investment ¥40 billion	<ul style="list-style-type: none"> Concentrated on new business opportunities expected to result from changing social needs Japan: Information processing service Americas: Traffic control services and products Asia, Greater China: Vehicle dispatch service, fintech services

Mid-Term Strategic Directions
(FY2019.3 to FY2021.3)

For the three years from FY2019.3, our business objectives are to achieve annual net income growth between 4% and 8% and ROE above 11%, and to maintain our single A credit rating. Moreover, we consider it important to conduct management based on the three elements of profit growth, capital efficiency, and financial soundness while keeping a balance among them.

In order to achieve these strategic directions, an important growth strategy for us is to continue business development

in new fields, new investments and M&As, in addition to organic growth. At the same time, it is necessary to avoid unreasonable investments where risk and return do not match, and we will continue to be selective in making good investments around the world.

Makoto Inoue

Director
Representative Executive Officer
President and Chief Executive Officer



Over the past three years, we have achieved high growth in the categories of Finance, Operation, and Investment, and have established a well-balanced portfolio in terms of both profits and assets. However, given the current low interest rates it will be difficult to substantially grow financial revenues in the Finance category. As such, we will continue to focus on Operation and Investment and be proactive in developing new fields and cultivating the businesses that will become our next mainstays, while steadily increasing revenues. We regard environment and energy, asset management, concession, and life insurance in the Operation category as business areas where further growth can be expected. This also applies to private equity investment, aircraft and ships in the Investment category.

Expected Growth Areas

The Operation category has been steadily growing for the past three years. Going forward, we aim to expand our portfolio through new investments and M&A.

In the environment and energy business, our solar power business in Japan is coming on line in stages and we expect growth in both income and assets. We are also actively seeking investment opportunities overseas for the renewable energy business.

In the asset management business, we are diversifying business lines and expanding geographical coverage. Our

real estate asset management business in Japan, which includes private equity funds and J-REIT management, is also performing strongly. We expect to grow each of the assets under our management.

In the concession business, in addition to our airport operations, we formed a consortium with the Japanese subsidiary of French company Veolia and other partners and started operating a wastewater treatment plant in Hamamatsu City, Shizuoka Prefecture in April 2018. We will continue to expand the scope of the concession business while setting our sights on a broad range of opportunities overseas.

In the life insurance business, we had approximately 3.94 million individual insurance policies in force as of March 31, 2018, which is a 1.5-fold increase from three years ago. We will expand sales channels and products to take the business to the next stage.

In the Investment category, we intend to expand assets with optimal schemes for each project. For private equity investments, we will continue to enhance the corporate value of existing investees and engage in new investments while diversifying investment methods and reviewing target industries. We will also actively promote investment overseas in the United States, Asia, and elsewhere.

As for aircraft and ships, we will leverage our accumulated experience in this field to continue to increase revenue through asset acquisition and expand gains on sale and fee income from asset management.

Mid-Term Strategic Directions (FY2019.3 to FY2021.3)

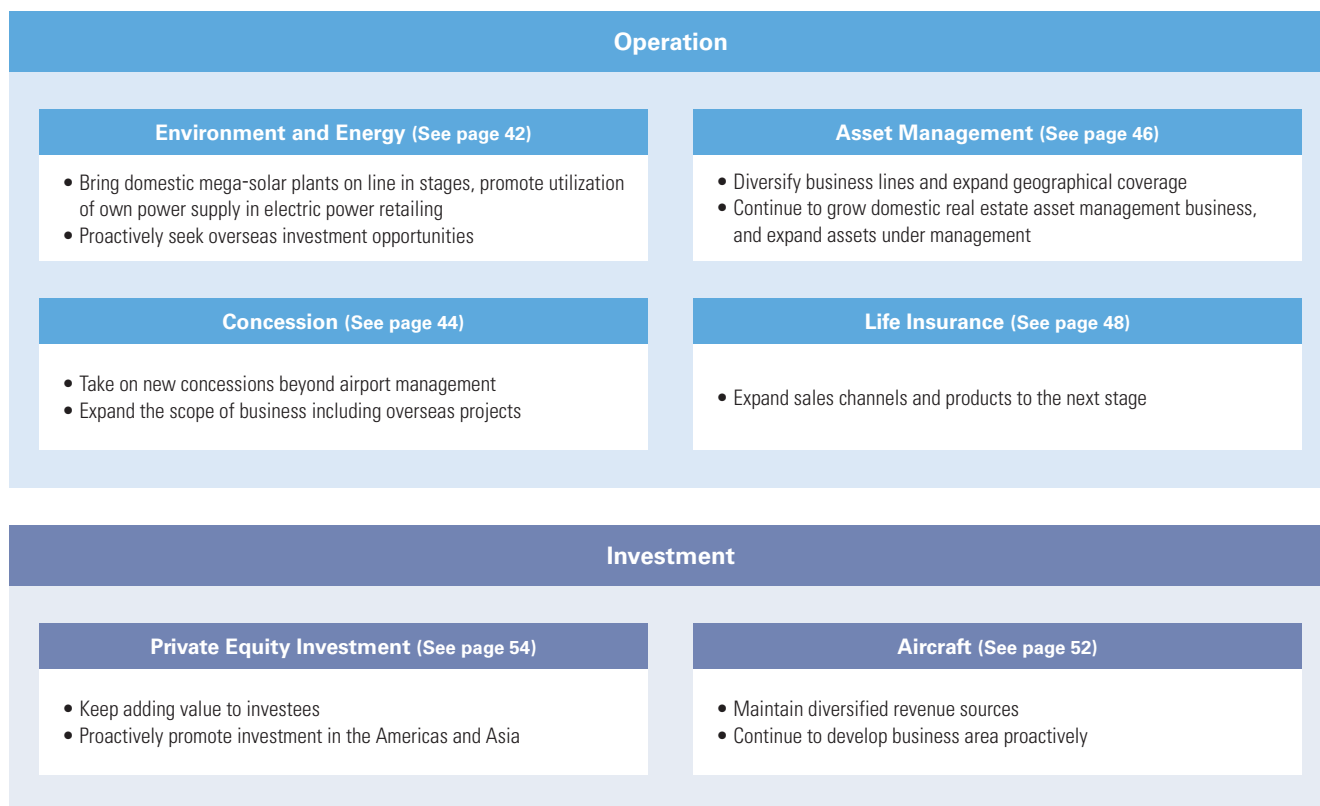
Profit Growth	Annual net income growth between 4% and 8%
Capital Efficiency	ROE above 11%
Financial Soundness	Maintain single A credit rating
ERM with global best practice	

Shareholder Returns Policy

<ul style="list-style-type: none"> • Dividend payout ratio target of 27% • Share buybacks as proactive capital management

Management Strategies

Business Areas for Further Growth



Our Approach to Investment: A Strategy That Supports Sustainable Growth

One investment criterion for new business domains is whether a project can achieve ROE above 11%, as set in our mid-term strategic directions. We will not invest if a business cannot be expected to achieve this figure. Financial, legal, accounting and tax expertise is indispensable for controlling risk and determining the potential of a business we invest in. Our sales headquarters takes primary responsibility, but we have also established expert teams in accounting, legal affairs, taxation and other areas to build a system that enables us to scrutinize investment projects.

Quick decision-making is required, as the more attractive an investment opportunity, the more intense the competition for it. This calls for players who can independently make decisions and negotiate on the spot. Top-down direction of project investments rarely works. A framework in which employees regularly generate projects from the bottom up is key, even if authority for approval is at the top. ORIX has made bad investments before, but we do not penalize those responsible for making them. This is because we believe that failure leads to the next success. What you learn from

failure is equivalent to 100 successes.

For ORIX to be selected as a partner by an investee company, we emphasize an investment process with its long-term growth in mind. In many instances, investors who pursue profit from a short-term perspective harm the corporate value of the investee over the long term. ORIX places importance on supporting the long-term growth of its investee companies and improving their corporate value. For example, we may leverage the ORIX Group's nationwide sales network to support the sale of products by an investee company, and support business succession of the owner-operator. Also, when corporate value has reached a certain level and an investment is to be sold to the next shareholder, we respect the opinion of the investee's management team in selecting the buyer. These accomplishments mean that we are selected as a business partner who earns trust, particularly in the field of corporate revitalization.

Gain on sale is an element of profit growth at ORIX, but this is not profit that is dependent only on the market. That profit is backed by the increased value of the investee. We will continue striving to maximize corporate value by continuously looking at each investment from entry to exit, including the potential for impact from the external environment.

Our Approach to Corporate Governance: A Management Foundation That Supports Sustainable Growth

Given ORIX's diverse array of businesses and broad and rapidly growing portfolio, ongoing enhancement of our governance system is crucial. We are able to take an aggressive approach to growth by proactively investing overseas because of our effective defenses. In recent years, we have been working on improving our risk management framework overseas with the Enterprise Risk Management Headquarters as the main organization for strengthening governance from a global perspective.

We are also enhancing internal control. As the organization of ORIX matures, I always sense a danger of the organization becoming rigid. Top management cannot make normal decisions if the content of reports from the front lines differs from the facts due to speculation or considerations among concerned parties. Moreover, there is a risk that this could have a substantial negative impact on future profit growth if, for example, due diligence for an M&A project is neglected to prioritize quick decision-making.

As I have already mentioned, in this regard the Enterprise Risk Management Headquarters plays the role of creating a framework that completely eliminates factors that impede sustainable corporate growth. Ignoring a small scandal for the sake of prioritizing growth allows the scandal to become larger in a few years, which may shake the company's management. ORIX will continue to thoroughly decentralize front line, middle, and back office management functions to expand business in order to prioritize growth. ORIX can pave the way for the next stage of growth if it can put in place an organizational structure in which the middle management check function and back office stop function are more effective and work more efficiently on front line operations.

Our Approaches to Contributing to Society through Our Businesses and Our Employees: Societal Relationships That Support Sustainable Growth

Since its inception, ORIX has had a fundamental commitment to social contribution through its business activities. Generating profit is important to a company, but it is necessary to be aware of the profits of all stakeholders, not just of one individual, but of customers, business partners, investors, employees, local communities and other parties. To that end, we believe that providing new value to and being an integral part of society will result in the profits that enable sustainable growth.

Social issues and needs are business opportunities and profit opportunities. We have grown and contributed to society by thinking about what ORIX can do for each of these issues and needs, and then taking action. Social change gives rise to countless issues and needs. We will continue to contribute to society by proactively identifying social changes that create business and profit opportunities.

The success of our employees is also indispensable to ORIX's continued growth. We are nurturing the people who will contribute to our strategy for global growth, and creating a workplace environment that allows them to energetically demonstrate their capabilities. We launched our Work Style Reform Project under the supervision of the CEO in October 2016 to improve work-life balance. Although we have implemented various measures and made numerous accomplishments, such as reducing overtime, we will continue with improvements so that our reforms fully permeate the workplace.

When our people demonstrate their capabilities to the fullest, we not only grow but also contribute to society as we do so. All of us should think about what ORIX means to society during our day-to-day business activities.

Management Strategies

Shareholder Returns

We are striving to increase shareholder value by keeping profit from our business activities primarily as retained earnings, and using it to invest in enhancing our business platform and for growth. At the same time, we offer stable and sustained dividends that reflect our business performance. Under this basic policy, we increased the dividend payout ratio 2% year on year to 27% for FY2018.3. We increased dividends 26% year on year from ¥52.25 to ¥66 per share for FY2018.3 for 1.8-fold growth over the past three years. We also repurchased our own shares in an amount of approximately ¥50 billion during FY2017.3 into the beginning of FY2018.3.

For FY2019.3, we expect to maintain a dividend payout ratio of 27% and forecast an interim dividend of ¥30 per share, as we emphasize an optimum balance between acquiring proactive investment opportunities for profit growth and stable and sustained dividends. Share repurchases will take into consideration the necessary level of retained earnings, and we will respond flexibly and agilely to changes in the operating environment, trends in share prices, financial conditions, and target business indicators.

Future Growth

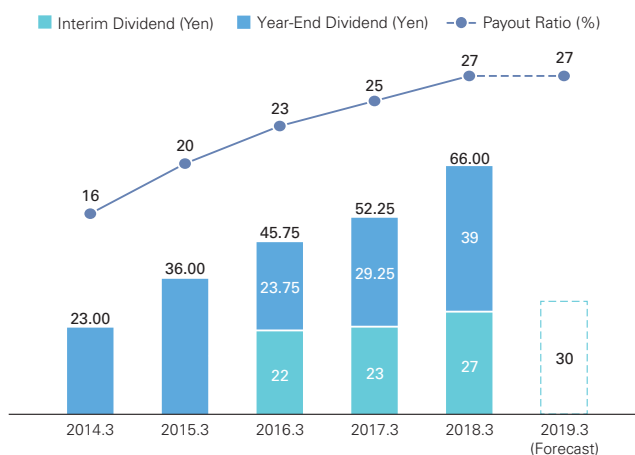
ORIX has reached its net income target of ¥300 billion, demonstrating that it has grown into a Japanese corporation with top-class profitability. However, ORIX employees never rest on their laurels or take their eye off the ball. We are continuing our efforts to thrive as a company that is constantly growing while maintaining a sense of urgency.

Our next goal is to transition to a more mature business platform as a truly global company. We do not distinguish between Japan and overseas when it comes to business opportunities. While business in Japan currently accounts for much of our operations, we have already made numerous investments in projects in the United States. Although still in the preliminary stage, we have been asked to introduce a business originating overseas in Japan. We are also developing business in Southeast Asia primarily in leasing, and we are seeking to develop business leveraging local fintech and IoT together with the many talented employees of a Chinese investee company. Once we establish local businesses around the world and get them on the path to success, we can call ourselves a truly global company.

There are always new business opportunities on the front lines. It is through our work on the front lines that we constantly accumulate experience and knowledge to find the seeds of the next new business. It is my firm belief that we will meet the expectations and earn the trust of our stakeholders through our diligent efforts at work each day.

Shareholder Returns

Dividend per Share and Payout Ratio



Shareholder Returns

	2014.3	2015.3	2016.3	2017.3	2018.3
Total Amount of Dividends	30.1	47.2	60.0	68.3	84.6
Share Buybacks (Based on Acquisition Year)	—	—	—	10.9	39.1
Total Return to Shareholders	30.1	47.2	60.0	79.2	123.7
Total Return Ratio	16%	20%	23%	29%	40%

(Billions of yen)

¥50 billion
buyback

Investment Process

ORIX's Involvement Maximizes Asset Value and Investee Corporate Value

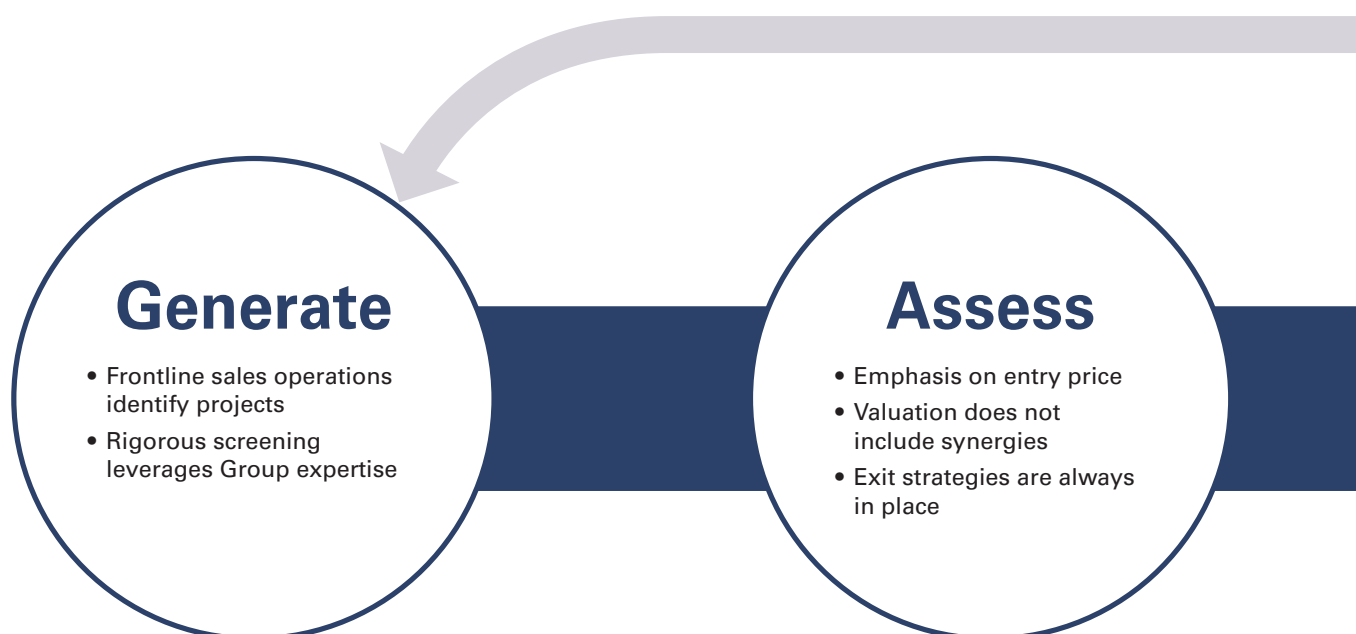
Frontline Sales Drive Investments

ORIX takes a bottom-up approach to identifying investments. Fundamentally, we use our Group network in Japan and around the world to identify investments driven by frontline sales. We primarily invest on our own in Japan and in collaboration with local partners overseas. In addition, an increasing number of deal proposals come directly to us because of our track record. We do not limit ourselves to a single investment theme or business. We explore a broad range of investments without constraint so that we can adapt quickly to our operating environment.

The knowledge of and expertise in finance and ancillary areas we have developed since our establishment is instrumental to the success of our diverse investment portfolio. We have built a system for screening investment projects that examines investee potential and controls risk. Frontline sales operations lead projects, leveraging specialized financial knowledge in collaboration with teams that have expertise ranging from accounting and law to taxation and compliance.

Investment Decisions That Emphasize Entry Price

The key to investment is a sharp focus on entry price. Whether we are making a strategic or a pure financial investment, we focus on profitability indicators including internal rate of return and efficiency indicators including ROA and ROE, premised on an exit strategy for five to seven years in the future. We do not incorporate ancillary businesses or synergies in price. We always consider the profitability of the investment itself with rigorous due diligence and entry price validation. ORIX makes investment decisions after confirming that discrete projects will generate returns that are commensurate with their risks and exceed our cost of capital.



Management Strategies

Medium-to-Long-Term Growth in Corporate Value and Regular Monitoring

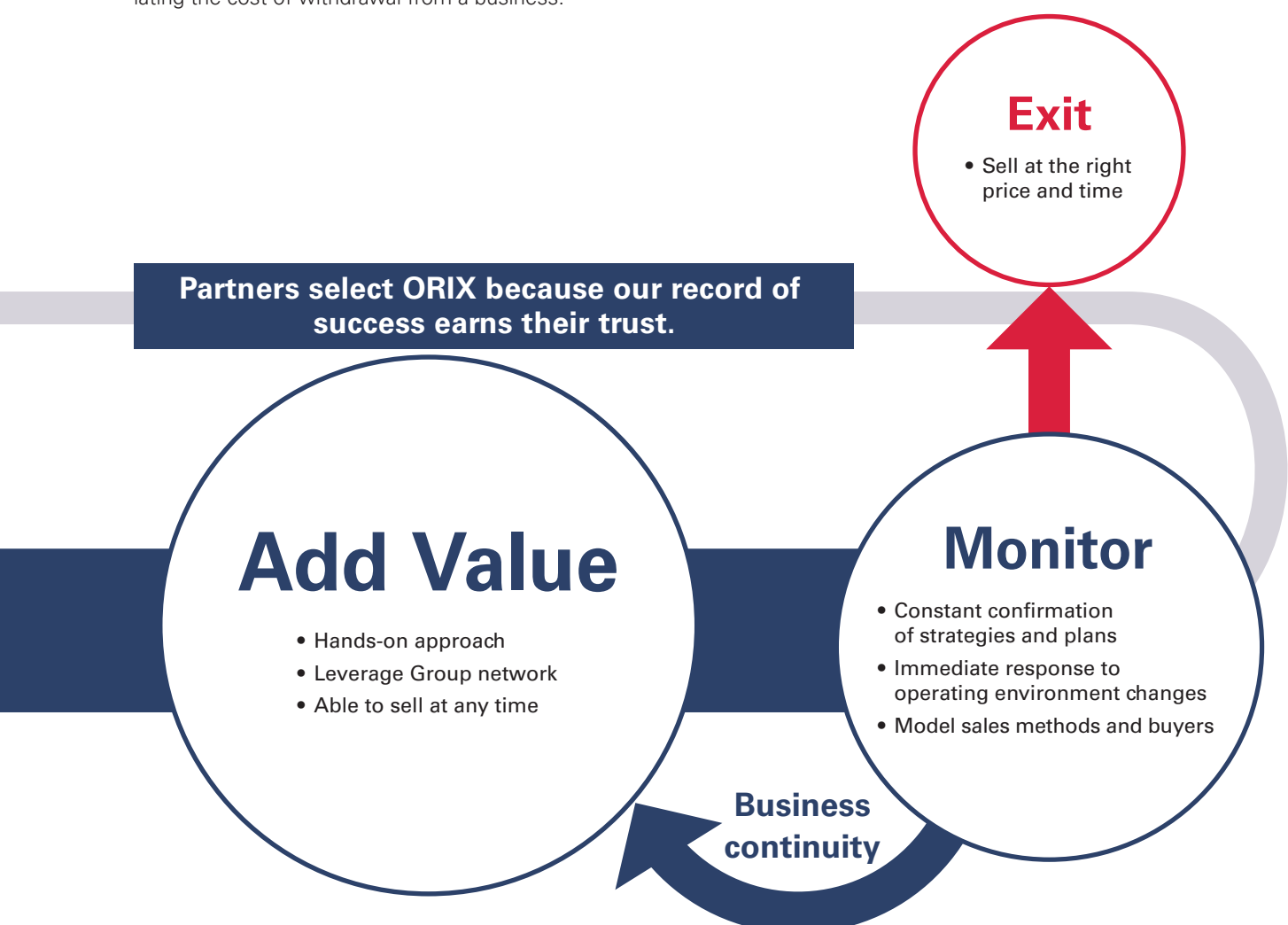
Our investment process emphasizes medium-to-long-term growth in investee corporate value. Unlike some private equity funds, we invest own capital. We can therefore respond flexibly to changes in investment period or increase our capital commitment, and we can also increase investee value by leveraging our Group network. The latter emphasizes a multifaceted hands-on approach in which we work closely with investees to increase their corporate value. This involves business administration, operational support, deployment of expert personnel, and help from ORIX business units for investees to find new customers and expand sales channels.

Post investment, we conduct periodic checks with the same focus on profitability, asset efficiency and capital efficiency as when making the initial decision to invest. Timely identification of project status enables us to quickly take corrective action if the environment changes. We also appropriately assess risk by testing for impairment and calculating the cost of withdrawal from a business.

Selling at the Right Price and Time

Our knowhow, experience and expertise empower us to look at markets and pick the right time to sell our investments. This ability is predicated on considering exit strategies for all investments at all times to remain able to sell at any time. We model exit strategies including IPOs and trade sales, and at the time of sale we choose the method and buyer with due respect for the intentions of the investee management team. Over the past several years we have made more investments with long-term time frames exceeding five to seven years, and more investments that are linked to our businesses.

Investees often choose ORIX as a business partner because of our record of results, and our investment pipeline is well stocked. Our capital gains represent our profit from increasing investee corporate value. We will maintain our thoroughgoing focus on each of our projects with the goal of generating sustainable earnings.



Financial and Capital Strategies

Optimize Capital Allocation to Increase Corporate Value

Appropriate Capital Controls

For our mid-term strategic directions from FY2019.3 through FY2021.3, we aim to achieve net income growth of 4% to 8% annually and ROE of 11% or higher, and to maintain our single A credit rating. We will properly control our employed capital ratio to maintain our single A credit rating. ORIX measures the employed capital ratio using a proprietary method that refers to global benchmarks and the assessment methodology of credit rating firms such as risk-adjusted capital (RAC). Our employed capital ratio at the end of FY2018.3 was 84.6%, which we consider reasonable for maintaining financial soundness and flexibility to make new investments.

ORIX makes decisions about each investment and credit transaction after confirming that its returns are commensurate with risk and exceed the cost of capital. When considering large-scale new investments, we analyze scenarios

as necessary to evaluate the impact on capital beforehand. We continuously monitor risks and returns for existing businesses at the project and business portfolio level.

The interests of shareholders and investors are top priorities in optimizing capital allocation. We consciously enhance understanding of the core strengths that enable us to create value over the medium and long term in our dialogue with shareholders and investors, and we also emphasize capital allocation. I intend to further emphasize our medium-to-long-term perspective in my dialogue with shareholders and investors about our strategic approach to building and restructuring our business portfolio, balance sheet management, and the optimal balance between new investments to generate profit and stable shareholder returns.

Employed Capital Ratio*

(Billions of yen)

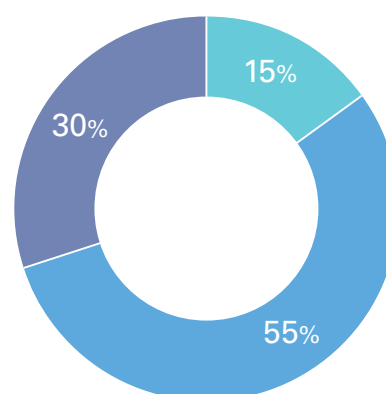
	March 31, 2018
Shareholders' equity	2,682.4
Employed capital	2,269.8
Unemployed capital	412.6
Employed capital ratio	84.6%

* ORIX calculation (Risk capital ÷ Shareholders' equity)

Employed Capital Breakdown

(As of March 31, 2018)

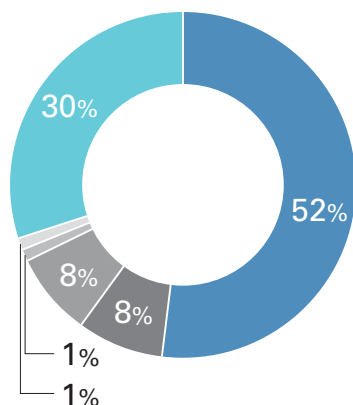
■ Finance ■ Operation ■ Investment



Management Strategies

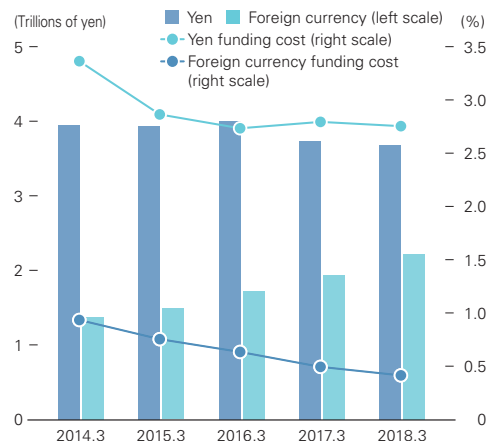
Breakdown of Funding Procurement Share of Long-Term Debt (%)
(As of March 31, 2018)

■ Borrowings from financial institutions
■ Domestic bonds ■ Foreign bonds, MTN ■ CP
■ ABS, CMBS ■ Deposits



Note: Long-term debt ratio: Long-term debt ÷ (Short-term debt + Long-term debt)

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



A Solid Financial Base That Supports Growth Investments

In its funding procurement, ORIX diversifies funding sources, lengthens durations, levels out its maturity ladder and ensures proper liquidity to maintain a solid base that supports future investments in growth. We will flexibly fund new investments according to business and asset. We will select the best funding methods and schemes for each project, which will include the effective use of project finance according to the nature of the investment.

Foreign currencies account for a greater proportion of funding because we have expanded overseas businesses in recent years. We generally manage exchange rate volatility risk with funding in the same currency we use for business transactions and overseas investments. We are also considering U.S. dollar bond issues to fund asset growth in our U.S. and aircraft businesses. We maintain a policy of funding subsidiaries in Asia with bond issues that take into account the scale of capital markets in the countries we serve. We will flexibly and stably fund projected growth in our overseas operations.

Addressing Interest Rate Risk

We control interest rate risk by using the shared asset and liability management (ALM) rules we have established for the Group to comprehensively assess issues including the funding environment and the impact of interest rate fluctuations on periodic profit and loss and the balance sheet. We limit the impact of interest rate fluctuations on periodic profit and loss by structuring liabilities with reference to the fixed and variable interest rates associated with assets and projected future cash flows. We expect higher interest rates in the United States and tighter monetary policy in Europe, but we should be able to limit the overall impact of higher interest rates through additional measures that will include appropriately hedging interest rate mismatches and turning over assets.

Hitomaro Yano

Director
Executive Officer
Head of Treasury and
Accounting Headquarters

