

Management Strategies

Medium-term Strategic Directions and FY2019.3 Results

Medium-term Strategic Directions

In October 2017, we announced our medium-term strategic directions for the three years from FY2019.3 through FY2021.3: annual net income growth between 4% and 8%, with FY2018.3 as the base year, ROE above 11%, and to maintain our single A credit rating. We set these goals to emphasize management balanced among three axes: profit growth, capital efficiency, and financial soundness.

Medium-term Strategic Directions (FY2019.3-FY2021.3)

Profit Growth	Annual net income growth between 4% and 8%
Capital Efficiency	ROE above 11%
Financial Soundness	Maintain single A credit rating
Enhance ERM as a global company	

Shareholder Returns Policy

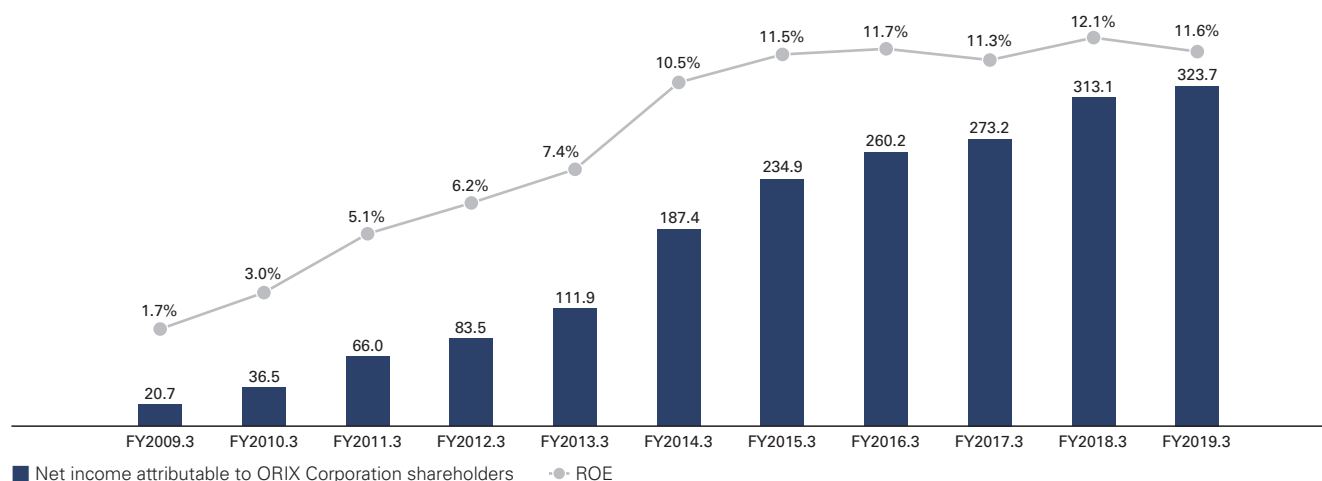
- Dividend payout ratio target of 30%
- Position share buybacks as proactive returns to shareholders

FY2019.3 Results

In comparison with the target in our medium-term strategic directions, net income for FY2019.3 was ¥323.7 billion, a year-on-year increase of 3.4%. Our target for net income growth between 4% and 8% is the average annual growth rate over three years, and we assume fluctuations in growth in any given year. Accordingly, ORIX will evaluate the achievement of its net income growth target after three years rather than any single year. We achieved ROE of 11.6% and maintained our single A credit rating.

We achieved record net income in FY2019.3 for the fifth consecutive fiscal year and have increased earnings year-on-year for 10 consecutive years. We recognized an impairment loss in connection with the bankruptcy of Indian equity-method affiliate IL&FS, and a decrease in assets under management reduced fee income in the asset management business, mainly at ORIX Corporation Europe. However, established businesses including aircraft and Retail segment businesses such as life insurance and banking performed well.

Net Income Attributable to ORIX Corporation Shareholders (Billions of yen) and ROE (%)



New Investment and Portfolio Replacement

Results for FY2019.3

New investment in FY2019.3 totaled ¥1,200.0 billion. A 30% stake in aircraft leasing company Avolon Holdings Ltd. (Avolon; see pages 26-27 for details), and the acquisition of U.S. lending and asset management company NXT Capital Inc. (NXT Capital) were major new investments. ORIX's investment has strengthened Avolon's financial base and improved its creditworthiness. Avolon's improved bond rating is expected to reduce funding costs in the future. NXT Capital sells loans it has originated to a fund that it manages and receives asset management fees from the loan fund. NXT Capital will make full use of the ORIX Group's domestic and overseas sales network to bring on fund investors and increase fee income.

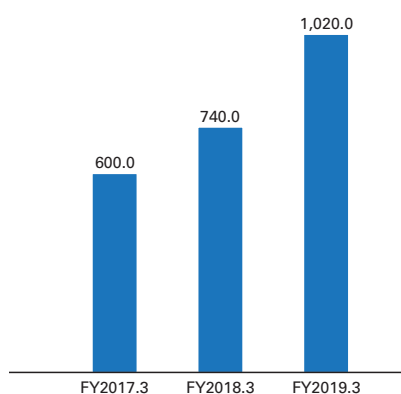
We were also active in investing in other businesses with growth potential. These included making DAIKYO Incorporated a wholly owned subsidiary. This company develops, manages and sells real estate, with a focus on condominiums. In addition, ORIX invested in Cornes AG. Corporation, which imports and sells dairy machinery, and made private equity investments in the United States and China.

Outlook

We expect major investments in FY2019.3 to contribute to earnings in FY2020.3. We will not limit ourselves to particular businesses as we analyze investments of various sizes for profitability and growth potential and rigorously select those that will contribute to future growth.

The goals of annual net income growth between 4% and 8%, ROE above 11% and an A credit rating can be conflicting management indicators. A theme for ORIX is how we can clear the hurdle of maintaining our A credit rating as we make decisions about large new investments. We assume the time may come when we will have to rationally assess the implications of an A credit rating. We therefore have to continuously divest portfolio assets when we make new investments. The sale of ORIX Golf Management in March 2019 is one example, and we also sold ORIX Living in August 2019. We will keep asset sales in mind, including existing businesses, as we focus on achieving our strategic directions over the medium-to-long term.

New Investment (Billions of yen)



Main Investments during FY2019.3

Company Name	Country	Business
Avolon	Ireland	Aircraft leasing (Investment: ¥250.0 billion)
NXT Capital	United States	Loan origination and asset management (Investment: ¥100.0 billion)
DAIKYO	Japan	Real estate development, management and sales, with a focus on condominiums
Cornes AG	Japan	Dairy equipment services
NTI Connect	United States	Communication infrastructure installation and maintenance services
Peak Utility	United States	Public infrastructure installation and maintenance services
Shougang Group	China	Parking operation and management

Management Strategies

Growth Strategy by Business

Our strategy for future growth is to capture business and profit opportunities generated by society. The upcoming Tokyo Olympics and Paralympics in 2020 and the Osaka-Kansai World Expo in 2025 will have the attention of the world. With visitors to Japan expected to further increase, our real estate business will develop hotels and inns under our new ORIX Hotels and Resorts brand. Moreover, targeting growth over the medium-to-long term, DAIKYO, which became a wholly owned subsidiary in January 2019, and ORIX's real estate business will complement each other's management through integration as a comprehensive real estate group that will launch new initiatives including participation in large-scale real estate development projects.

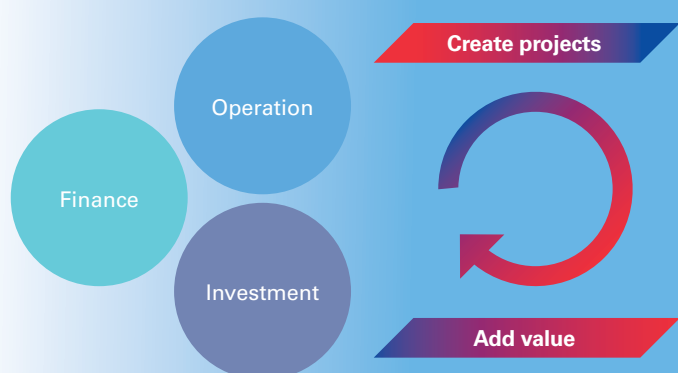
In the renewable energy business, we are promoting solar, geothermal and biomass power generation in Japan, and intend to expand business in Europe and Asia.

In Investment and Operation, we will deploy the expertise we have acquired to invest not simply in single companies, but to create synergies among multiple investees with a comprehensive perspective of the target industry as a whole. This will help investees build market share and expand into adjacent areas.

The auto and rental businesses have established business foundations as major players in Japan, but there is an urgent need to respond to rapid changes in the business environment. In the auto business, we aim to secure a presence in the next generation of the automobile industry by tying up with startup companies in Japan and overseas. In the rental business, in addition to providing hardware, we will transform into a service provider that combines various services to provide added value.

Business Portfolio

Control the volume of risk while expanding business domains



Business and Profit Opportunities

Renewable energy	Redevelopment and large-scale renovation
Automated driving and electric vehicles	AI and IoT
Business succession	Robots and drones

Growth Strategy by Business

Asset Management Expand AUM globally Combine our capabilities in each location	Real Estate Integrate with DAIKYO, expand the management business, and proceed with large-scale projects
Environment and Energy (Japan) Move the solar power generation business into the operation and maintenance phase Expand geothermal and biomass power generation	Environment and Energy (Overseas) Develop wind power in India and the renewable energy business in Europe and Southeast Asia
Investment and Operation Deepen involvement in existing focus areas, do roll-ups in the same industry, and expand into adjacent areas	Corporate Financial Services Provide equity solutions that address business succession needs
Auto Integrate automated driving and electric vehicle use into existing businesses	Rentec Transform from a hardware provider into a service provider

Multifaceted Asset Management Business Development

1. Acquire companies with unique business models

In the asset management business, we brought Robeco Groep N. V. (now ORIX Corporation Europe N. V.), into the ORIX Group in 2013, and have diversified our lines of business through new investments in the United States. The asset management business has a growing presence in the ORIX Group. As of March 31, 2019, the combined assets under management (AUM) of ORIX Europe, ORIX USA, and our real estate asset management business in Japan totaled

¥44.3 trillion, and generated pre-tax profit of ¥55.2 billion. In recent years, growth in the United States has been particularly strong, as ORIX USA AUM has doubled since FY2015.3. In the real estate asset management business in Japan, REITs and private equity funds have also been performing steadily, with growth in AUM from ¥1 trillion as of March 31, 2017 to ¥1.2 trillion as of March 31, 2019.

Main Subsidiaries			Established (Acquired)	Main Businesses	AUM at End of FY2019.3 ¹	Segment Profit for FY2019.3 (Pre-Tax) ²
Overseas Business Segment	ORIX Europe (formerly Robeco)	Robeco Institutional Asset Management B.V. Boston Partners Global Investors, Inc., and others	(2013.7)	Asset management	¥37 trillion	¥35.1 billion
	ORIX USA	NXT Capital Group, LLC (NXT)	(2018.8)	Loan origination and asset management	¥600.0 billion	¥4.3 billion ³
		Boston Financial Investment Management, LP (BFIM)	(2016.7)	Low-income housing tax credit syndication	¥800.0 billion	¥2.6 billion
		ORIX Real Estate Capital Holdings, LLC ⁴ (OREC)	2013.9	Mortgage banking and loan servicing	¥2.7 trillion	¥8.3 billion
		Mariner Investment Group entities	(2010.12)	Mariner Investment Group entities	¥1.2 trillion	¥1.0 billion
		RB Capital S.A.	(2016.12)	Real estate securitization, asset management, and real estate development and investment	¥800.0 billion	¥0.1 billion
Real Estate Segment	ORIX Asset Management Corporation (OAM)		2000.9	Asset management of J-REIT	¥673.9 billion ⁵	¥2.1 billion
	ORIX Real Estate Investment Advisors Corporation (ORIA)		2007.9	Real estate investment and advisory services (private equity funds)	¥500.0 billion	¥1.7 billion
Total					¥44.3 trillion	¥55.2 billion

1. AUM figures are approximate values that include servicing assets, etc.

2. Estimated based on actual results for FY2019.3

3. 7-month period

4. As of January 1, 2019, RED Capital Group, LLC (acquired in May 2010) and Lancaster Pollard Holdings, LLC (acquired in September 2017) were integrated into ORIX Real Estate Capital Holdings, LLC

5. Figure as of February 28

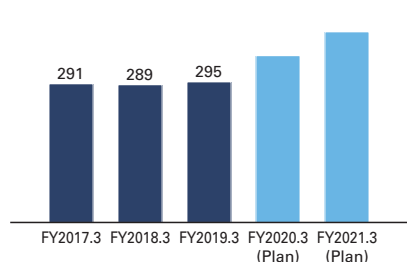
2. Address global asset management needs

Our policy of expanding AUM has not changed either in Japan or abroad. In the United States, Boston Financial, Lancaster Pollard (current name: ORIX Real Estate Capital Holdings, LLC), NXT Capital and other operations are using AI and other means to improve back office efficiency while increasing their contribution to profits. In Japan, ORIX Real Estate Investment

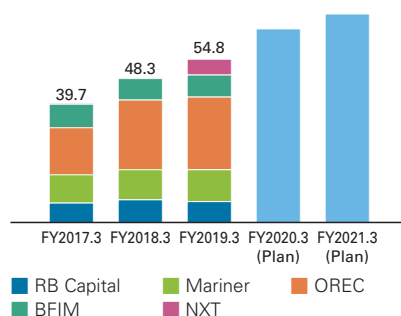
Advisors Corporation focuses on strengthening relationships with large institutional investors, developing new overseas investors and scouting investment for development projects. ORIX Asset Management Corporation works to enhance its property management to improve the competitiveness of properties and strengthen relationships with tenants.

AUM Performance and Plans

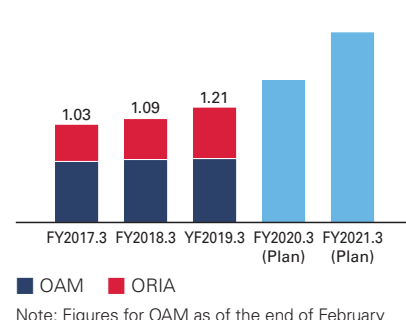
ORIX Europe (Billions of EUR)



ORIX USA (Billions of USD)



Real Estate (Trillions of yen)



Management Strategies

Feature 1: Large-scale Investments – The Avolon Invest

Investment Overview

In November 2018, ORIX acquired 30% of the outstanding shares of Avolon Holdings Limited (Avolon; Head office: Dublin, Ireland), the world's third largest aircraft leasing company. The investment totaled approximately ¥250 billion, making it one of ORIX's largest investments to date and comparable to the 2013 acquisition of Robeco Groep N.V. (now ORIX Corporation Europe N.V.).

Global demand for aircraft has been increasing, backed by the rise of low-cost carriers (LCC) in recent years and the increase in passenger traffic due to economic growth in emerg-

ing countries and elsewhere. Passenger traffic volume is expected to grow by an average of 4.4% annually over the next 15 years, and the number of aircraft in operation is forecast to increase from 21,450 in 2018 to 47,990 in 2037.*

Leasing demand is increasing among airlines because they want flexible equipment planning and financing, and they use operating leases for about 40% of the aircraft operating in the world today. Further market growth is expected, with the operating lease ratio forecast to rise to 50% in the future.

* Source: Airbus GMF 2018

ORIX Aircraft Leasing Business and Avolon

	ORIX Aircraft leasing business	Avolon (ORIX owns 30%)	Projected Synergies
Pre-tax income	¥35.8 billion* (FY2019.3)	¥80.0 billion (FY2018.12)	
Assets	¥646.3 billion* (March 31, 2019)	¥3 trillion (December 31, 2018)	<ul style="list-style-type: none"> • Significant expansion of value chain • Increase in supply to Japanese investors • Increased profits due to the improvement of Avolon's funding ability
Owned, managed and committed	Owned and managed 213 aircraft (March 31, 2019)	Owned and managed 553 aircraft Committed 398 aircraft (March 31, 2019)	
Strengths	<ul style="list-style-type: none"> • Secondary market presence • Asset management expertise • Extensive relationships with Japanese investors 	<ul style="list-style-type: none"> • Primary market presence • Expertise in ordering from aircraft manufacturers 	

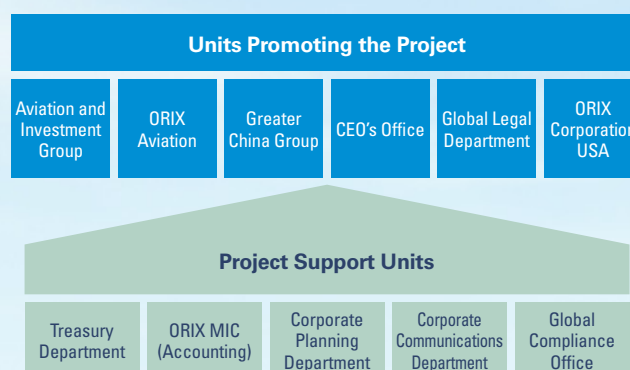
*Including ship business

Investment Background

Backing ORIX's investment in industry leader Avolon were a number of factors. Avolon has 40 years of experience and expertise in the aircraft leasing business, giving it the ability to accurately judge the risk and return of this investment. ORIX had also done business with Avolon and so had a solid relationship of trust prior to the investment. In addition, ORIX had a relationship through its locations in China with Avolon's parent company, the Chinese conglomerate HNA Group.

ORIX demonstrated the unique strength of the organic, inter-departmental collaboration among its units in considering the project. Six units in Japan and overseas – the Aviation and Investment Group, ORIX Aviation, the Greater China Group, the CEO's Office, the Global Legal Department and ORIX

Internal Project Promotion Organization (35 Members from Six Units in Japan and Overseas)



Note: Unit names at the time of the project

Corporation USA – drew together and formed a project team of 35 specialists. Its members from Japan, China, Hong Kong, Ireland and the United States had diverse backgrounds and expertise. They conducted investment practices including valuation, due diligence, negotiation of terms and regulatory

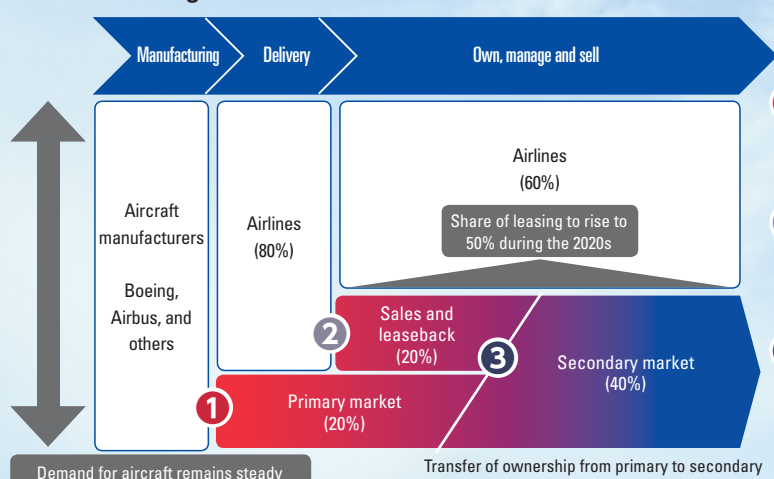
response while engaging in lively discussion. The backing of management units including finance, accounting and corporate planning enabled a large investment in a short period of about six months from the initial deal inquiry to the conclusion of the contract.

Positioning of Avolon and ORIX in the Aircraft Leasing Value Chain

While ORIX's aircraft leasing business is mainly strong in the secondary market, Avolon is mainly involved in the primary market where it orders directly from aircraft manufacturers, receives new aircraft after completion and leases them to the airline. The businesses of the two companies do not have

much overlap, so they can complement each other to expand their businesses. ORIX acquired the Avolon shares with the goal of generating medium- and long-term business growth by strengthening access to the primary market and expanding its aircraft leasing business.

Share of Leasing in the Aircraft Market



Comparison of Business Fields of Avolon and ORIX Aircraft Leasing

Features	Seller	Aircraft	Avolon	ORIX
1 Primary Market Purchase directly from manufacturers and lease out. Need financial strength and marketing organization.	Manufacturers	New	Excellent	None
2 Sales and Leaseback Purchase aircraft through airline. Recent wave of new entrants has intensified competition.	Airlines	New	Good	Fair
3 Secondary Market Purchase leased aircraft from a player in the primary market.	Aircraft leasing companies	Used	Fair	Excellent

Source: Produced by ORIX using Ascend "Fleet Analyzer," CAPA "Fleet Database" and FlightGlobal "FleetWatch 2018." Figures in parentheses are the ratio to all aircraft.



Kei Kitagawa
Head of Aviation and Investment Group
Deputy Head of Global Transportation Services Headquarters

Post-Investment Assessment

As of July 2019, about eight months have passed since the investment in Avolon, and a number of synergies are emerging. For example, the addition of ORIX as a new shareholder has enhanced Avolon's creditworthiness, and Avolon has entered into new borrowing transactions with many financial institutions including Japanese banks. Avolon's credit rating was upgraded to investment grade in April 2019, and its funding capabilities are expected to improve in the future.

In addition, Avolon is strong in the primary market because it orders from aircraft manufacturers, and has one of the largest fleets of leased aircraft in the world. This enables ORIX to provide even more aircraft to aircraft investors in Japan. ORIX and Avolon will generate additional synergies and improve their presence in the growing global aircraft leasing market by combining their sophisticated know-how and expertise in the aircraft leasing business.

Management Strategies

Feature 2: New Initiatives – Digital Transformation

Organization

Formerly, each division of ORIX has made numerous improvements in its operations using digital technology and data on its own initiative. In June 2018, new departments were established under the direct control of the CEO to make a clean break from previous processes and begin using digital technology and data to transform business operations. Since August 2019, the Data Transformation Department and the Digital Innovation Department have been promoting and supporting digital transformation for the ORIX Group. Employees

Mission of units that promote and support ORIX's digital transformation

Data Transformation Department

Promote effective use of data and AI horizontally throughout the Group.
Contribute to improving Group profitability.

Digital Innovation Department

Effectively use digital technology horizontally throughout the Group.
Accelerate business transformation and promote innovation.

in these departments include experts in data analysis and AI, digital business consultants who are adept in design thinking techniques, and analysts who screen startup companies with the latest technologies and innovative business models.

The Data Transformation Department supports digital transformation by leveraging information that the ORIX Group has collected through businesses and operations to date as well as external information. Examples include AI that uses past performance data to replicate credit screening decisions that people have conventionally handled.

The Digital Innovation Department focuses on accelerating innovation by fully leveraging new digital technologies and partnering with startup companies and the like to address business issues and support planning to provide new services.

In September 2018, ORIX entered into an ecosystem partnership agreement with Plug and Play Japan KK, which provides growth support for startups. Our objective is to collaborate and cooperate with startups in Japan and overseas to bring their leading-edge technologies, expertise and knowledge into the ORIX Group.

Accelerating Transformation Using Data and Digital Technology

We need to use digital technology and data not just to streamline existing business processes to address changes in the business environment and threats to existing business models, but also to create new corporate value. The use of technology and data will be essential to build new businesses and improve profitability.

The Data Transformation Department and the Digital Innovation Department have specialists in data analysis and approaches for using AI and digital technology as assets deployed horizontally throughout the ORIX Group. Working at the request of business segments and units, they accelerate transformation using data and digital technology to enhance the ORIX Group's competitive advantages based on customer needs and the issues that segments and units face.



Damion Howlett
Head of Data and Digital
Innovation

Digital Transformation Case Study

Promoting Transformation on the Front Line

ORIX is promoting digital transformation aligned with the operating issues of each business. We identify digital technology and data needs in each business and emphasize practicality and feasibility in working to implement the latest technology.

The automobile business is representative. We are automating automobile auction selling decisions using AI. ORIX Auto provides comprehensive automotive services, and handles an enormous number of vehicle-related transactions ranging from procurement to management and sales. Sales operations are an example. ORIX Auto sells 120,000 used cars annually, and maximizing sales price is a core theme.

We sell used cars through auctions and other methods at venues we operate. Formerly, decisions on whether the bid price of a vehicle is equivalent to market price have been left up to the experience of the person in charge, which has impeded objective assessment of whether we had maximized profit. However, the Data Transformation Department analyzed past auction data and found patterns among bidding information, including the number of bids

and the maximum bid amount. We have already conducted field tests in which some auctions have based sales decisions on these rules, and we confirmed that doing so serves to improve sales price. Currently, we are using AI to automatically determine optimal sale decisions based on bidding information, with the goal of streamlining business processes and maximizing sales price.

ORIX Auto also expects to deploy digital data in areas such as vehicle procurement and maintenance, demand forecasting in car rental and sharing, and the use of driving data in telematics services, and is therefore enhancing cooperation with the Data Transformation Department and the Digital Innovation Department.

In ways such as these, we are conducting projects that use digital technology and data at Group divisions such as ORIX Rentec, ORIX Bank and our real estate, environment and energy and other businesses as well as at ORIX Auto. Divisions generally lead projects, but the Data Transformation Department and the Digital Innovation Department view and promote digital transformation horizontally throughout the ORIX Group.

Stages in Implementing New Technologies

Interviews	Identify business unit issues and needs. Jointly analyze priority issues with the business unit.
Workshops	Identify ways to overcome problems with data and new technologies, and potential new business models through contact with customers and business processes using design thinking techniques and the Lean Business Model Canvas.
Planning	Consider issues including compatibility with Group management strategy, feasibility and expected outcomes. Plan field tests for priority measures.
Field Testing	Verify new technologies and data use models in front-line field tests. Determine outcomes and plan for full-scale introduction.

Management Strategy

Financial and Capital Strategies

Appropriate Control of Shareholders' Equity

ORIX verifies that its capital is sufficient for its risk profile using an employed capital ratio calculated with a proprietary method that refers to global benchmarks and other parameters to ensure flexibility in making new investments. Specifically, we refer to market indicators to calculate risk capital based on the historical maximum decrease in all assets for use in controlling the employed capital ratio, which is the ratio of risk capital to shareholders' equity. In FY2019.3, we made several large-scale investments, but our employed capital ratio was 88% because we have been increasing shareholders' equity by consistently generating record profits and replacing assets.

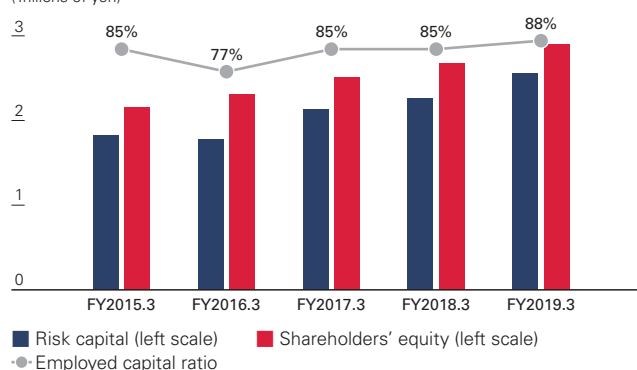
The allocation of risk capital to our three categories has changed over the past five years. Risk capital allocated to Finance has decreased, while Investment has remained at about 30% because of both new investment and replacement of portfolio assets and Operation has increased to over

50% because of our focus on businesses in which we expect growth, including environment and energy, asset management, and concessions. The protracted low interest rate environment has impeded high margins in Finance. We have therefore allocated capital to Operation and Investment because of our expectations for growth with a policy of ensuring strong profitability for the Group as a whole.

We also assess individual projects to rigorously select those that can generate returns above a cost of capital adjusted for project risk. Thus we achieve ROE that exceeds the cost of capital with the objective of sustainable growth in corporate value. Of note, we perform scenario analysis as needed when considering a large-scale investment to assess the impact on capital in advance. For existing businesses, we continuously monitor risks and returns at the project and business portfolio level to promote asset replacement.

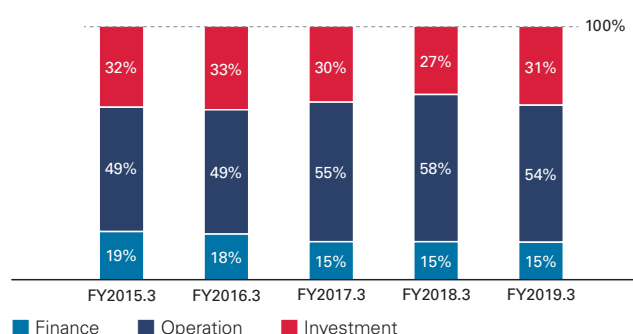
Risk Capital, Shareholders' Equity and Employed Capital Ratio

(Trillions of yen)



Note: ORIX calculation (Employed capital ratio = Risk capital ÷ Shareholders' equity)

Risk Capital Allocation



A Solid Financial Base

The current funding environment is good, and we have no concerns about obtaining funding from financial institutions or capital markets. However, uncertainty about the future of the global economy is increasing due to the impact of the U.S.-China trade war and other factors. Given this environment, ORIX employs an asset and liability management policy (ALM policy) it established to deal with liquidity risk and market risk.

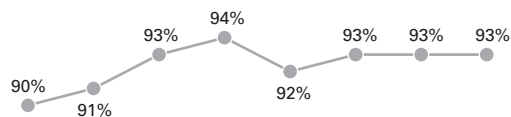
We address liquidity risk by diversifying funding sources, lengthening durations, and leveling out our maturity ladder. We also conduct stress tests based on experience in past financial crises, and ensure liquidity so that we can meet financing requirements over extended periods.

We control interest rate risk by comprehensively assessing issues including the impact of interest rate fluctuations on our income statement and balance sheet and on the funding environment. We mitigate the impact of interest

rate fluctuations on our income statement by synchronizing liabilities with the fixed and variable rates on our assets and our cash flow projections.

The expansion of our overseas businesses over the past several years, such as our U.S. businesses and aircraft leasing, has increased the proportion of funding denominated in currencies other than the Japanese yen. As a rule, we address exchange rate risk by funding business transactions and investments outside Japan with the currency in which they are denominated. We obtain foreign currency funding in ways such as borrowing from financial institutions in Japan and overseas and issuing bonds in local capital markets. We maintain a stable funding framework by diversifying funding methods, markets, and areas, and by lengthening durations. Funding costs will remain a focal issue in providing flexible, stable funding for global operations.

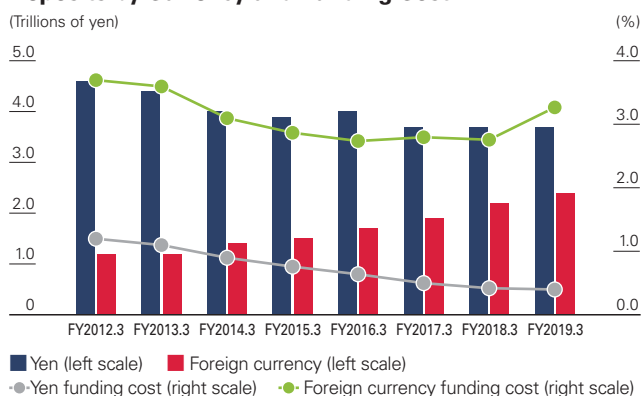
Share of Long-Term Debt



FY2012.3 FY2013.3 FY2014.3 FY2015.3 FY2016.3 FY2017.3 FY2018.3 FY2019.3

Note: Share of long-term debt = Long-term debt ÷ (Short-term debt + Long-term debt)

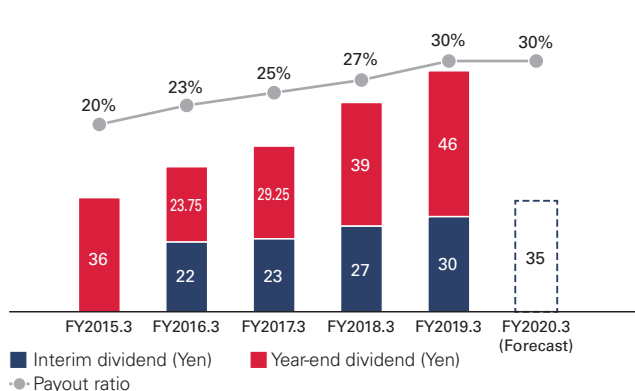
Average Balance of Long- and Short-term Debt and Deposits by Currency and Funding Cost



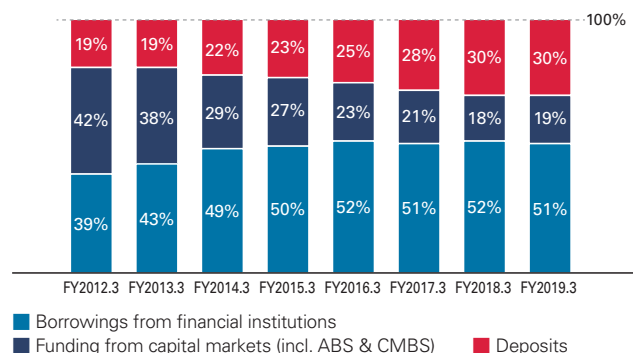
Shareholder Returns

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 3% year on year from 27% for FY2018.3 to 30% for FY2019.3. We increased dividends 15% year on year from ¥66 to ¥76 per share for FY2019.3 for approximately 1.7-fold growth over the past three years. For FY2020.3, we will maintain a dividend

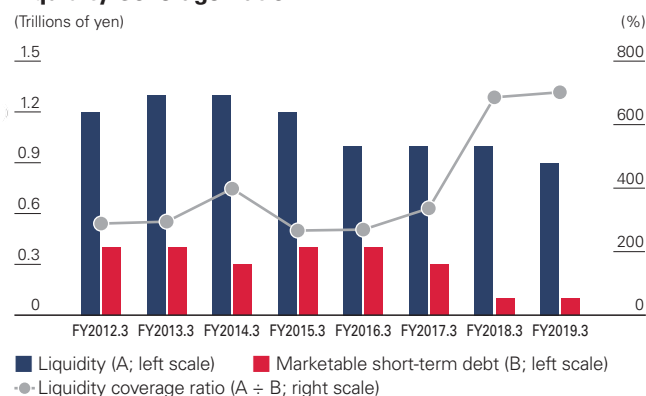
Dividend per Share and Payout Ratio



Breakdown of Funding Procurement



Liquidity, Marketable Short-Term Debt and Liquidity Coverage Ratio



Note: Marketable short-term debt = Total of bonds and MTN expected to reach maturity within one year and balance of CP

payout ratio of 30% per share while focusing on the optimal balance between proactive acquisition of investment opportunities for profit growth and stable and continuous dividends. We forecast an interim dividend of ¥35.

Share buybacks will be conducted with flexibility and agility after considering changes in the operating environment, trends in share prices, financial conditions, and target business indicators, while keeping in mind the necessary level of retained earnings.

Total Return to Shareholders and Total Return Ratio

