

# Our Foundation for Creating Value

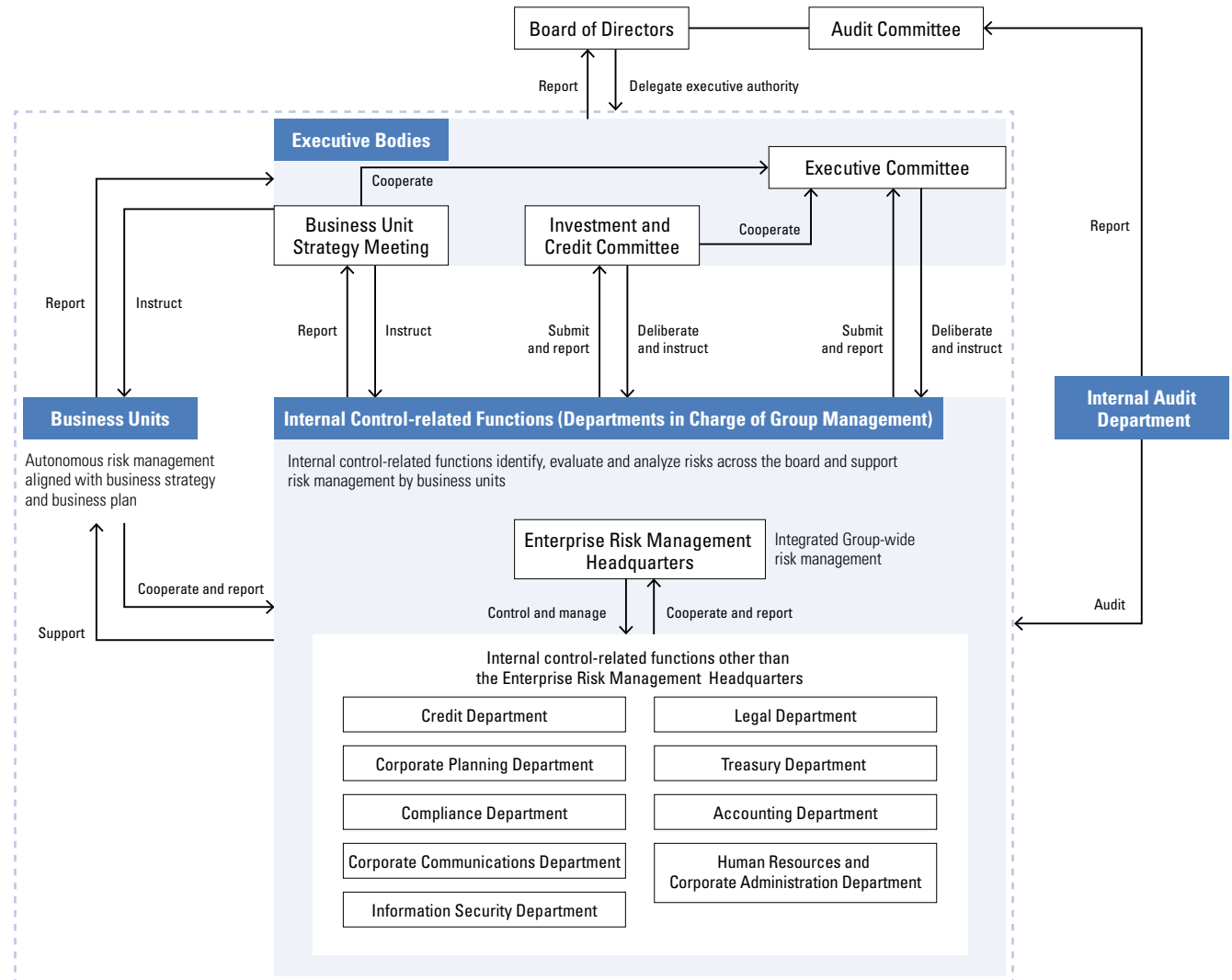
## Risk Management

### Group-wide Risk Management System

ORIX allocates resources in line with Group-wide risk preferences based on management strategies and the strategies of individual business units. We optimize the risk-adjusted allocation of resources with a system that effectively profiles the various risks relevant to Group businesses worldwide and reports them to the Board of Directors and the executive bodies as the situation warrants. We have also established the Enterprise Risk Management Headquarters to control risk Group-wide. It centralizes risk management and collaborates with the internal control-related functions to analyze and manage risks.

➔ Strengthening Group-wide Risk Management Systems (Page 26)

### Group-wide Risk Management System



**Risk Factors and Risk Management**

Risk Factors	External environment-related risk	Credit risk	Business risk	Market risk	Liquidity risk (risk related to funding)
Risks	<ul style="list-style-type: none"> <li>Global economic and political change</li> <li>Unpredictable events (incl. accidents, disasters, terrorism, and outbreaks of infectious diseases)</li> </ul>	<ul style="list-style-type: none"> <li>Increase in credit-related costs in financial business (incl. leasing and installment loans)</li> </ul>	<ul style="list-style-type: none"> <li>Project management failures in business expansion, M&amp;A, joint ventures with other companies, or alliances</li> <li>Losses on assets due to fluctuations in the price of portfolio and investment assets</li> <li>Lower earnings in the asset management business due to asset price fluctuations</li> </ul>	<ul style="list-style-type: none"> <li>Negative effect on earnings and assets due to large fluctuations in interest rates and exchange rates</li> <li>Derivative transactions do not have the intended economic effect</li> <li>Financial impact of price fluctuations on portfolio securities</li> </ul>	<ul style="list-style-type: none"> <li>Constraints on new funding and refinancing, and higher funding costs</li> <li>Increased interest costs and reduced funding capabilities due to lower credit rating</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Diversify ORIX's revenue structure by operating in multiple businesses and ensure sufficient liquidity to systematically enable consistently sound financial management.</li> <li>Upgrade disaster risk management systems.                              ➔ <b>Business Continuity Planning (Page 25)</b> </li> </ul>	<ul style="list-style-type: none"> <li>Comprehensively evaluate customer credit based on the customer's financial position, cash flow, underlying security interests, profitability and other factors of individual credit transactions.</li> <li>Enhance credit risk management for individual transactions and portfolios (acquire sufficient collateral and guarantees, diversify industries and creditors, and control exposure to potentially high-risk markets).</li> </ul>	<ul style="list-style-type: none"> <li>Thoroughly analyze risk before launching businesses and investing (scenario analysis and stress tests).</li> <li>Evaluate and verify product and service quality improvement and withdrawal costs through regular monitoring after launching businesses and investing.                              ➔ <b>Investment Risk Management (Page 24)</b> </li> </ul>	<ul style="list-style-type: none"> <li>Systematically manage and control assets and liabilities (comprehensively verify and understand market risk, and hedge it with derivatives).</li> </ul>	<ul style="list-style-type: none"> <li>Diversify funding methods.</li> <li>Strengthen management of liquidity on hand (conduct liquidity risk stress tests and employ countermeasures, and understand liquidity risk for each country and subsidiary and employ countermeasures).</li> </ul>

Risk Factors	Compliance risk	Legal risk	Information risk	Operational risk
Risks	<ul style="list-style-type: none"> <li>Decline in trust and loss of corporate value due to behavior by organizations and individuals that violates laws or company regulations or deviates from social norms</li> </ul>	<ul style="list-style-type: none"> <li>Restrictions on business activities from laws, regulations and regulatory authorities in each country ORIX serves</li> <li>Restrictions on business activities from and higher costs to address the enactment, revision, or change of laws and accounting standards</li> </ul>	<ul style="list-style-type: none"> <li>Loss, damage or leakage of customer information including personal information and information assets such as ORIX Group financial information and personnel information</li> <li>Interruption of services and corporate activities caused by system failures due to cyberattacks, computer viruses or other factors</li> </ul>	<ul style="list-style-type: none"> <li>Loss of market trust due to being regarded as having ineffective internal control over financial reporting</li> <li>Ineffective risk management in addressing rapid business expansion and changes in the external environment</li> <li>Reduced operational quality and unreliable business continuity due to inability to develop, bring on and retain diverse human resources</li> <li>Other various operational risk events arising as a result of conducting diverse businesses</li> </ul>
Risk Management	<ul style="list-style-type: none"> <li>Systematically implement appropriate compliance, and promote a highly ethical culture of compliance (formulate and implement annual compliance plans, enhance awareness of compliance through internal regulations and communication, and maintain internal and external whistleblower channels).                              ➔ <b>Enhancing Compliance (Page 27)</b> </li> </ul>	<ul style="list-style-type: none"> <li>Systematically ensure legal compliance and manage legal risk (enforce internal rules for legal compliance, understand laws and regulations applicable to each business, and respond appropriately to legal revisions).</li> </ul>	<ul style="list-style-type: none"> <li>Systematically manage information risk (enforce internal regulations, implement technical measures such as measures to manage information system vulnerability and protect networks, maintain systems for responding to information security incidents, and implement measures to mitigate system failure risk).                              ➔ <b>Enhancing Information Security (Page 29)</b> </li> </ul>	<ul style="list-style-type: none"> <li>Develop, disseminate and inculcate internal rules.</li> <li>Employ business execution systems.                             <ul style="list-style-type: none"> <li>Establish internal control systems for financial reporting.</li> <li>Deploy personnel systems and work environments to reliably bring on and retain diverse human resources.</li> </ul>                               ➔ <b>Human Resources Strategy (Page 30)</b> <ul style="list-style-type: none"> <li>Continuously strengthen the overall risk management system with operational risk monitoring by the Internal Audit Department.</li> </ul> </li> </ul>

### Investment Risk Management

ORIX manages investment risk by appropriately assessing and controlling risks with a focus on taking healthy risks that support growth. We deploy our financial knowledge and expertise to screen projects identified by frontline sales.

Investment then follows top management investment decisions. We subsequently increase investee corporate value over the medium and long term and regularly monitor businesses to determine whether to continue or exit. Our

demonstrated ability to maximize investee corporate value has made ORIX an investment partner of choice, which helps us source new investments.



**Assess**  
**Deploy Knowledge and Expertise in Finance and Neighboring Fields to Assess Profitability and Risk**

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 in our 10 segments and 16 business units. 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 changes in our operating environment.

The knowledge of and expertise in finance and neighboring fields we have developed since our establishment is critical to the success of our diverse investment portfolio. We screen investment projects by examining investee potential and control 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.

**Make Investment Decisions**  
**Emphasize Entry Price in Investment Decisions**

The Investment and Credit Committee, which comprises top management and Executive Officers associated with projects, deliberates and decides on investment deals that exceed set capital parameters. Each business unit submits investment proposals to the committee. 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 net operating income and efficiency indicators including ROA and ROE, premised on an exit strategy for five to seven years in the future. We do not incorporate neighboring business areas or synergies in price. ORIX makes investment decisions after confirming that discrete projects will generate returns that are commensurate with their risks and exceed our cost of capital.

**Increase Corporate Value**  
**Deploy Group Resources to Increase Corporate Value**

Business units in charge of projects act independently in our process for adding value, which emphasizes medium-to-long-term growth in investee corporate value. We invest our own capital, so we can be flexible about investment period. We also support investees in a variety of ways such as leveraging our Group network to help them find new customers and expand sales channels. We emphasize a hands-on approach in which we work together with investees to increase their corporate value. This involves business administration and deployment of expert personnel.

**Monitor**  
**Verify Strategies and Plans to Make Continue or Exit Decisions Flexibly as the Environment Changes**

We conduct periodic checks after we invest. Business Unit Strategy Meetings take up the status of investments in each of our businesses, then the Investment and Credit Committee further deliberates and makes decisions about critical matters including additional investments and exit timing. We also properly assess risk by testing for impairment and calculating the cost of withdrawal from a business as necessary.

Our know-how, experience and expertise empower us to look at markets and continue with an investment or pick the right time to sell it. At the time of sale we choose the method and buyer with due respect for the intentions of the investee management team. Investees often choose ORIX as a business partner because of our record of results from this approach, which also helps us source new investments. ORIX reinvests proceeds from the sale of investments in emerging growth markets to generate sustainable earnings growth.

## Business Continuity Planning (Disaster Risk Management System)

ORIX's Basic Disaster Risk Management Rules stipulate our basic stance in the case of unforeseen incidents, including natural disasters or accidents, along with specific responses and the framework for organizationally managing risk. Defining disasters largely as damage from natural phenomena such as earthquakes and typhoons, terrorism, accidents, fires and infectious diseases, we have laid out our fundamental responses in a disaster response manual and a manual for countering new influenza strains or similar diseases.

We have established systems for confirming the safety and status of employees if our offices are closed due to an event such as a disaster or the spread of an infectious disease. We have also prepared for situations in which working from our offices is impossible or inadvisable by introducing systems that enable employees to work remotely so that our business operations are not disrupted.

As a rule, in Japan we confirm the safety of employees in prefectures affected by an earthquake with a seismic intensity of 5 or higher, and conduct safety confirmation training several times annually. We have also set up a disaster response headquarters at the Osaka head office in case damage in greater Tokyo knocks out the Tokyo head office, and we are conducting relevant training in collecting information. In addition, each base has stockpiled food and drinking water for three days per employee.

### Response to the COVID-19 Pandemic

#### ■ Chronology

- Japan's first confirmed case of infection in January 2020 prompted the ORIX Group to position COVID-19 as a crisis that requires a Group response with circumspect prevention of infection among officers and employees, information gathering at all Group companies, and Group coordination of information. We enhanced our telecommuting infrastructure and external communication capabilities, and initiated countermeasures Group-wide.
- We moved to prevent infection among officers and employees by banning business trips to China and refraining from overseas business trips from late January 2020. During February 2020, we recommended staggered schedules for in-office work or telecommuting, and that individuals avoid in-person meetings, entertaining and business trips in Japan. When the Japanese government declared a state of emergency in April, we established the COVID-19 Headquarters, and as a rule required telecommuting to address the emergency.
- When the state of emergency was lifted in May 2020, we accommodated the policies of local government and new lifestyles in putting the health and safety of officers and employees first. We operated responsibly to prevent the spread of COVID-19 and continued telecommuting insofar as it did not impede work.

#### ■ Employee Response

##### [Daily Confirmation of Employee Health and Attendance]

- We used a daily safety confirmation system covering about 29,000 full-time, temporary and part-time employees (as of July 31, 2020) at ORIX Group companies in Japan to understand the work situation and identify people who had developed symptoms and missed consecutive days of work.

##### [Infection Prevention and Response to Actual or Suspected Infection]

- We collected data for each business unit and Group company covering specific guidelines for preventing infection and policies for addressing suspected infection, and provided timely reports to management and the relevant business units. We also cooperate with business units that report actual or suspected

infection to implement necessary measures including contact tracing and office disinfection.

##### [Telecommuting Environment Upgrades]

- We improved the telecommuting environment by distributing various IT resources including personal computers, smartphones, and communication devices, and urgently expanded virtual private networks (VPN) that employees can access from home.
- The majority of officers and employees at locations both inside and outside Japan telecommuted, and we helped prevent infection in ways such as setting up shifts and rotation schedules for employees who had to be on-site for business purposes.

##### [Additional Measures besides Telecommuting]

- We encouraged staggered schedules for on-site work, provided special disaster leave for people with health issues or who are forced to be on call at home, prohibited business trips, refrained from face-to-face meetings, and used video conferencing at meetings of the Board of Directors and executive bodies such as the Executive Committee.

#### ■ Measures for Customers

- Accommodations and aquariums operated by ORIX Hotel Management Corporation and ORIX Aquarium Corporation, both wholly owned by ORIX Real Estate Corporation, were closed for up to three months due to the COVID-19 pandemic. Operations have resumed gradually since June 2020 following the formulation of our own hygiene and disinfection guidelines.
- ORIX Auto Corporation is operating its rental car and car sharing businesses with measures to enhance hygiene to prevent the spread of infection.
- ORIX Life Insurance Corporation is prioritizing payment of hospitalization benefit claims, among other measures.
- ORIX Corporation participates in operating Kansai International Airport, Osaka International Airport, and Kobe Airport, which are implementing an array of measures to counter infectious diseases.

# Strengthening Group-wide Risk Management Systems

## Steadily and Speedily Create a Suitable Enterprise Risk Management System

### Tomoko Kageura

Executive Officer

Head of Enterprise Risk Management Headquarters

Joined ORIX in April 1994. After a total of 20 years in the legal and compliance fields, transferred to the Internal Audit Department in 2014. Became General Manager of the Group Internal Audit Department in 2017 and Head of the Enterprise Risk Management Headquarters in January 2020.

### Mission of the Enterprise Risk Management Headquarters

The main role of the Enterprise Risk Management Headquarters, which was established in June 2017, is to formulate Group-wide risk management policies and standards necessary for ORIX to achieve its overall strategy, and to create mechanisms to continuously improve the effectiveness of structures and internal control systems for doing so.

Group-wide risk management is a component that ORIX requires not only to prevent losses and avoid risks, but also to take healthy risks to increase corporate value and help achieve growth targets. Moreover, sustainable management requires that we identify acceptable and unacceptable risks and add risk controls to make ORIX the best it can be. We also need to evaluate and visualize the risk control outcomes to distribute as management information.

We are empowering the Enterprise Risk Management Headquarters to fulfill its responsibilities, and enabling sustainable growth for ORIX by employing and enhancing systems that can appropriately identify, evaluate, control and manage risks.

### Enterprise Risk Management Headquarters: Issues and Countermeasures

The Enterprise Risk Management Headquarters is currently addressing two main issues. The first is strengthening its functions as a department that comprehensively controls Group-wide risk. The Enterprise Risk Management Headquarters and other internal control-related functions (Corporate Planning Department, Corporate Communications Department, Information Security Department, Treasury Department, Accounting Department, Human Resources and Corporate Administration Department, Credit Department, Legal Department, and Compliance Department) are consistently managing risk in their respective areas of responsibility. However, we need to further improve our ability to comprehend an expanding global matrix of risks and businesses Group-wide.

We are therefore restructuring our Group-wide risk management system so that we can visualize Group financial and non-financial risk for distribution as strategic management information. We will monitor risk levels and confirm if they are appropriate while continuously enhancing risk management systems. Furthermore, we will quantify issues such as risk concentration by determining risk at the Group-wide portfolio level to support management decisions and earnings growth.

Group-wide risk management requires that we visualize risks, identify them comprehensively, and understand them exhaustively in real time. We will also digitalize our risk management system to address the increasing complexity and rigor of regulations relevant to ORIX's business, and to move away from departmentalized risk management.

The second issue the Enterprise Risk Management Headquarters is addressing is enhancing Group-wide BCP initiatives. Fortunately, the COVID-19 pandemic did not cause serious problems for ORIX employees and businesses. However, ORIX had assumed that its current BCP measures would be mainly for responding to disasters such as earthquakes, bringing to light the necessity of a review in the context of pandemic initiatives based on our experience responding to COVID-19.

Given the new normal, the Enterprise Risk Management Headquarters will be central in strengthening measures for ORIX's businesses. It has begun considering how ORIX can deal with the impact on resources from risks other than natural disasters, with an initial focus on telecommuting effectiveness together with the IT Infrastructure, Information Security, and Group Human Resources and Corporate Administration departments.

### The Future

ORIX has a broad portfolio of businesses in markets that are expanding and growing with exceptional speed, so we must continuously enhance risk management systems. We can take an aggressive stance for growth, with proactive investment in Japan and overseas, because we protect the Group well. We recognize that the business environment surrounding ORIX is also changing very quickly. ORIX is looking five to ten years into the future and beyond to accurately identify issues in steadily and speedily creating a suitable Enterprise Risk Management system.

# Our Foundation for Creating Value

## Enhancing Compliance

### Emphasize Effective Compliance and Support New ORIX Businesses

#### Tomoko Hara

Enterprise Risk Management Headquarters  
Managing Director, Group Compliance Department

Joined ORIX in April 1996. After working in corporate sales, risk management, systems and other departments, was mainly engaged in IR in the Corporate Planning Department from 2010. Became General Manager of the Corporate Planning Department in 2019 and Managing Director of the Group Compliance Department in 2020.

#### ORIX's Approach to Compliance and Compliance Structure

ORIX prioritizes compliance, and inculcates a highly ethical corporate culture of appropriately structured compliance. Specifically, we formulate and implement compliance plans, establish internal rules and promote awareness of compliance through communication. We also have internal and external whistleblower channels.

In addition, ORIX reports important compliance matters to the Audit Committee, the Executive Committee and the Group Executive Officer Committee. The Compliance Department, under the jurisdiction of the Head of Compliance, cooperates with the compliance officers appointed at subsidiaries and business units, and promotes compliance activities across ORIX.

#### Initiatives in FY2020.3

Compliance initiatives in FY2020.3 included the following

- **Compliance reviews:** Training and individual interviews with staff at 21 locations in Japan. Met with the senior management and compliance managers at 10 locations outside Japan and confirmed compliance activities.
- **Enhanced system for preventing money laundering:** Reaffirmed outcomes after identifying and evaluating money laundering and other risks in light of guidelines of the Financial Action Task Force (FATF) and the Financial Services Agency, and implemented measures to further reduce risk.
- **New external reporting system:** Complemented our existing internal reporting system by establishing an external reporting system. Important cases are reported to the Audit Committee immediately, and other cases are reported to the Audit Committee quarterly.

- **Education through training:** Used e-learning to provide education to raise awareness of compliance and other important laws and regulations, such as ethics regulations training for officers and employees and bribery prevention training.
- **Work environment improvement:** Interviewed employees in a wide range of occupations to improve the work environment.

#### Compliance Issues and Initiatives

The scope of compliance has expanded from conventional management of the risk of legal and regulatory violations to management that includes avoiding damage to shareholder value and loss of trust from stakeholders. ORIX must comply with both the letter and the spirit of laws and regulations inside and outside Japan, so implementing effective compliance measures after accurately identifying the features and risks of our businesses is an important issue. Our compliance initiatives emphasize effectiveness rather than form and completeness, support ORIX's aggressive new business development, and address the issue of shareholder and stakeholder trust by enhancing our ability to protect their interests.

# Going Digital

## Increased Profitability and Sustainable Growth through Digitalization

### Shin Inoue

Head of Group IT

Joined ORIX in March 2020. Twenty years in Silicon Valley founding, raising venture capital for, and building world-class financial technology companies. B.S. in Mathematical and Computational Science and M.S. in Operations Research from Stanford University.

### Why Digitalization and Information Security

Increasing net income to ¥400 billion and even above ¥500 billion is our medium-to-long-term target. To achieve that goal, we must accelerate digitalization of our businesses and strengthen Group-wide information security. This will unlock the possibility of the massive transactional data accumulated over the years, dramatically shorten the distance between us and our customers through online interactions, and ultimately drive scaling of existing businesses and new business innovations.

### Digitalization and Information Security Initiatives

COVID-19 has restricted the movement of people and goods and forced us to reimagine our traditional workstyle and business models. ORIX, too, needs to rethink the strategy, timeline and process for achieving its earnings targets. While the path to the end of the COVID-19 crisis is not yet

clear, as a company striving for sustainable growth no matter the economic environment, we are driving digitalization and enhanced information security with a sense of urgency.

Step one involves solidifying the ORIX Group's IT infrastructure, digitalizing many inefficient business operations and strengthening the security of digitized data. ORIX has thoughtfully expanded its business to adjacent fields and now has a broad array of businesses in 10 segments. Given our expansive coverage, establishing a Group-wide, unified IT infrastructure has not been a straightforward process, and we have historically thrown people and manual processes at the operational challenges. Digitalizing our back and middle office operations will transform the cost structure of existing businesses and help improve profitability. We have achieved roughly only 10% of the impact of digitalization, but that also means that we have a tremendous upside potential. We will continue to deploy segment-specific digitalization teams and strive to implement over 80% of our digitalization and information security measures over the next three years.

Step two involves leveraging information technology to expand existing core businesses and launch new ones. Digitalization not only reduces the operational costs of existing businesses, but also enables us to expand into new markets and connect with customer segments not reachable previously. For example, reaching and engaging with small and medium size enterprises (SMEs) completely online would be an opportunity that didn't exist before. It is true that digitalization naturally increases information security risks if not managed properly, but we see new business opportunities that leverage digitalized data far outweighing those managed security risks. We are especially keen to develop a digitalized platform that integrates our SME relationships and expansive business data globally.

### Looking Forward

In order to 1) accelerate the digitalization of business operations, 2) strengthen our information security, 3) expand core businesses to reach new customers, and 4) innovate new business models using technology, we must aggressively pursue recruiting and training to build a globally competitive, world-class technology organization. Leveraging my leadership and successes in Silicon Valley, I intend to make full use of information technology and contribute to increasing profitability and sustainable growth for ORIX.

# Enhancing Information Security

## Acquire New Business Opportunities by Enhancing Security

### Robert Veres

Group Chief Information Security Officer (acting), Group Strategy Business Unit

In September 2018, Robert joined ORIX from AXA in Paris with a mission to establish sustainable group-wide information security practices. He brings over 20 years' experience in this field.

### Our Approach to Information Security

ORIX considers information security an integral part of its business. The increasing criminal activity and fraud in cyberspace pose a risk to ORIX's business activities, so it is necessary to take cutting-edge information security measures. Information security is not seen as a cost to our bottom line, but rather an enabler of our top line. By strengthening information security, it will be possible to use IT safely in various businesses and acquire new business opportunities. The Information Security Department plays a role in contributing to ORIX's growth.

### Information Security System

The Information Security Department has a mission to establish sustainable information security for the entire Group. ORIX has established internal rules for information security management. We have implemented technical measures such as vulnerability countermeasures for our information systems and maintenance of various network security measures to protect against or mitigate cyber-attacks. We endeavor to reduce the risk of system failure within ORIX, including from cyber-attack and damage to information security, through the maintenance, operation and management of internal systems. We have also created a system for responding to information security incidents.

### Specific Information Security Measures

We have a cybersecurity roadmap defined for ORIX. In partnership with a leading global cybersecurity advisor, a target operating model has been defined for ORIX, based on internationally recognized cybersecurity capability frameworks published by the Chartered Institute of Information Security (of which we are a corporate partner - [https://www.ciisec.org/Corporate\\_Partners](https://www.ciisec.org/Corporate_Partners)). The resulting organizational model ensures we have the right roles with the right skills to deliver the cybersecurity capabilities essential for ORIX.

Our Security Incident Response Team (SIRT) is championed by domestic ORIX Group entities and is being adapted to incorporate Group companies outside Japan as well. A Group-wide security program has been initiated to establish a level of security that is appropriate for the risk appetite of each ORIX Group company. This risk-based strategy is underpinned by internationally recognized security and governance standards (ISO 31000, ISO 27001, COBIT5 and NIST). Consistent among all ORIX Group companies is the requirement to meet at least a fundamental set of security controls, or a "minimum security standard."

In partnership with a leading global cybersecurity advisor, we are assessing the information security maturity of key ORIX Group companies globally. This assessment also provides ORIX with greater visibility of security gaps across the

Group, which in turn has focused security investment towards areas that are most impactful for managing risks associated with information security. ORIX engages independent security ratings services to continually monitor and quantitatively grade the security level of the Group.

### Future Actions for Information Security

As we emerge from the COVID-19 pandemic and adjust to the new normal, information security is proving its relevance as a key business enabler, most visibly through the secure mobilization of our workforce. In part because of the maturity of our security practices, we were able to promptly provide a mobile working environment for about 60% of our workforce in Japan and 100% outside Japan. We are actively incorporating the security lessons we have learned into our future workforce mobility platforms. We will continue to improve our information security capabilities.

• For more detailed information on information security management, please refer to the following: ▶▶▶ [https://www.orix.co.jp/grp/en/ir/governance/structure/risk\\_management/main/information.html](https://www.orix.co.jp/grp/en/ir/governance/structure/risk_management/main/information.html)



## Our Foundation for Creating Value

# Human Resources Strategy

### Human Resources Strategy at ORIX

#### Maximizing the Professional Development of Our Employees under the Concept of “Keep Mixed”

People are ORIX’s most important asset. Based on our concept of “Keep Mixed,” we hire diverse human resources regardless of nationality, age, gender or work history, integrating their diverse values and expertise with the aim of a Fusion of Intelligence to create new value and workplaces

that maximize the professional development of our employees. Specifically, we create fulfilling workplaces by establishing a working environment that respects diverse working styles and reforming our human resource system ahead of the pack instead of just reacting to current social conventions. Moreover, we are enhancing training to offer opportunities for employees who embrace challenges and to enable employees to excel internationally.

#### Initiatives to Realize Our “Keep Mixed” Concept

ORIX promotes diversity and inclusion and the creation of workplaces that offer value for all employees to realize its concept of “Keep Mixed.”

#### Promoting Diversity and Inclusion

With the changing social environment, the need for a wider array of working styles is increasing. We are promoting diversity and inclusion to create workplaces that are optimal for the performance of individuals with different capabilities and expertise, as well as to offer diverse working styles to accommodate different life events.

#### Workplaces That Offer Value

ORIX defines a “workplace that offers value” as a dynamic, fulfilling working environment in which employees can perform to their full potential in good health and with peace of mind. We are implementing a variety of initiatives to foster workplaces that offer value for all employees.



### People Who Support ORIX’s Sustainable Growth

The ORIX Group has more than 30,000 employees. Approximately 75% of them work in Japan and 25% outside Japan. As ORIX operates a wide range of businesses globally, it requires people with expertise in various fields. Therefore, we create personnel systems and career development programs tailored to each country and business area so that

employees can build their careers and deepen their expertise. At the same time, we seek talented professionals from the market who can make an immediate contribution. We believe that it is vital to maintain flexibility in our diverse business operations to attract and retain people who will contribute to the ORIX Group’s growth over the medium

and long term.

It is equally important to establish an environment where employees with diverse backgrounds can maximize their potential. We are therefore focusing not only on supportive work environments, but also on initiatives to provide employees with a sense of fulfillment.

### Initiatives to Date

ORIX has established a variety of programs with an emphasis on diversity. These programs are available for employees with diverse backgrounds to utilize according to their needs, but it is also necessary to continuously improve them in response to change, while anticipating future changes in society.

#### 1) From Improvement of Workplace Environments to Career Support to Enable Women to Continue to Work

ORIX was one of the earliest promoters of women's participation in the workplace. We started recruiting female university graduates for comprehensive work positions in 1982, before the enforcement of Japan's Equal Employment Opportunity Law in 1986. The Japanese government has set a goal of increasing the share of women in leadership positions to 30% as early as possible in the 2020s. At ORIX Corporation, women held more than 25% of managerial positions as of March 31, 2020. In addition, four female executives were serving as Directors or Executive Officers as of June 30, 2020, accounting for 13% of all executives. We will continue to promote the advancement of women by improving career support programs that help female employees to develop their careers, expand their roles and make full use of their abilities.

#### 2) Enabling Senior Employees to Continue to Make Use of Their Experience

ORIX raised the retirement age from 60 to 65 in 2014 to enable employees with diverse experiences and multiple skills to continue to work without age limits. This stems from our belief that the participation of senior employees who have experiences and expertise gained through their work enhances the vitality of the organization. Therefore, we have established a system that encourages senior employees to think proactively about their careers and take on challenges. Specifically, we have introduced

personnel and employee evaluation systems for employees age 60 and over according to their roles and performance, and also introduced systems (Career Challenge System, Self-assessment System for employees to plan their careers up to the age of 65 from early on.

#### 3) Active Recruiting of Mid-Career Professionals

ORIX has always actively recruited mid-career talent. According to the pace of our business expansion we hire people with diverse areas of expertise who are ready to contribute from day one. They come not only from the finance industry, but from various other sectors, including manufacturing, consulting, trading, real estate and professional services. 66% of the employees who joined one of 10 domestic Group companies<sup>1</sup> in FY2020.3 were mid-career hires. In recent years, we have focused on recruiting specialists in technology in the environment and energy segment; legal and compliance experts who can work in a global context; and experts in digital transformation and information security. We will continue to actively recruit mid-career professionals, who bring different experiences and perspectives to ORIX.

#### 4) Work Styles That Offer Flexibility in Time and Space and Boost Productivity

We place importance on arranging work environments so that all employees not only find it easy to work, but can also work on their own initiative with enthusiasm and a sense of fulfillment. In 2016, we launched a workplace reform project to create pleasant work environments that incorporate the ideas of employees. More than 200 employees are members of the project committee, which considers ways to foster a culture that recognizes diverse working styles, with the aim of working with high productivity. Approximately 80 measures recommended by the committee have been implemented to date. Examples include reduction of regular working hours, establishment of satellite offices, and the adoption of a super flex-

time system, a system to incentivize employees to take their vacation days, and a system of financial support for self-improvement. The project has led to increased employee awareness of productivity, a decrease in overtime, and an improved rate of taking annual paid vacation days.<sup>2</sup>

By utilizing the systems we have established, we have been able to protect the health and safety of employees and maintain business continuity, even during the COVID-19 pandemic. For example, in Japan, we switched to working from home, encouraged staggered work hours, and applied special paid leave for disasters. We also collect information on the health status of employees at a fixed time every day through a specialized system, and take appropriate and timely response measures.

#### 5) Reflection of Results of Employee Morale Survey in Personnel Measures

Since 2004, we have conducted an employee morale survey to gauge how employees feel toward their jobs, and reflect the results in various personnel measures. Annual surveys of the employees of the 10 domestic Group companies<sup>1</sup> have been conducted since 2016, and the survey results are released internally. The survey results are reported to management, which refers to them in making decisions on personnel measures and uses them to verify the effectiveness of measures currently being implemented.

1. 10 domestic Group companies: ORIX, ORIX Rentec, ORIX Auto, ORIX Credit, ORIX Real Estate, ORIX Computer Systems, ORIX Bank, ORIX Life Insurance, ORIX Eco Services, and ORIX Asset Management & Loan Services
2. Decrease in overtime: Decrease of approximately 4 hours per month (13%) on average for 10 Group companies<sup>1</sup> from FY2017.3 to FY2020.3 (excluding the 20 minute decrease in regular working hours).  
Improved rate of taking annual paid vacation days: The average rate for the 10 domestic Group companies<sup>1</sup> increased from 72% in FY2017.3 to 83.8% in FY2020.3.

Specific Initiatives

Systems to Support Work-Life Balance

Childcare Support Systems

ORIX has established systems that go beyond legal requirements, as shown in the table on the right. The percentage of female employees who are working mothers in FY2020.3 was 33.6%, about 2.3 times higher than 10 years earlier. In addition, virtually 100% of female employees return to work from childcare leave. Balancing work and family care is not an issue that concerns only women, so we have introduced a special childcare paid time off system to help male employees participate in childcare, and also conduct a childcare seminar for couples.

Scheme	Japanese Law	ORIX
Childcare leave <sup>1</sup>	Until the child reaches 2 years of age	Until the child reaches 3 years of age
Paid parenting time <sup>2</sup>	1 hour a day (unpaid)	2 hours a day (paid)
Reduced working hours during childcare	Under 3 years old	Until graduation from elementary school
Child nursing care leave (paid)	5 days per year (unpaid)	5 days per year, 10 days per year for parents with 2 or more children (paid)
Other	—	Babysitter subsidy system until graduation from elementary school Special childcare paid time off <sup>3</sup>

1. The period of childcare leave to be taken is limited to 5 years in total. The period of childcare leave in excess of this limit is determined by law.
2. Paid parenting time is available to employees who return to work before the child reaches the age of 1.
3. Separate system from childcare leave that allows employees to take paid time off to care for children. Expected to be used mainly by male employees.

Nursing Care Support System

We offer systems that go beyond legal requirements, as shown in the table on the right.

Scheme	Japanese Law	ORIX
Nursing care leave system	93 days	6 months
Nursing care leave system (paid)	—	5 days per year, 10 days per year for employees with 2 or more family members who require care (paid)
Reduced working hours for nursing care	—	Maximum 2 hours a day, <sup>4</sup> up to 3 years per family member who requires care (may be split up)

4. Limited to one hour a day when taken concurrently with paid parenting time.

Other Systems

ORIX has the systems shown on the right to assist employees in continuing their careers while balancing work and home life.

Internal career change system	A system that enables employees to change to a job with a broader role in order to advance their career. (Launched FY1983.3)
Career select system	A system that enables employees to temporarily change to a job with a limited role due to childcare or nursing care. (Launched FY2013.3)
Spousal transfer location change system	A system for requesting a job transfer to the region one's spouse was transferred to. (Launched FY2016.3)
Spousal relocation leave system	A system for requesting leave for up to five years to accompany spouse on job transfer (Launched FY2016.3)

## Career Planning Support Systems

### Return to Work System

A system that allows people who left the company for any reason (even if due to a job transfer) to apply to rejoin the company. Their occupation and level when they are rehired are guaranteed to be at least equivalent to those they held prior to leaving. (Launched FY2016.3)

### Internal Intern System

A system that enables employees who have been with the company for at least three years to engage in the work of the department of their choice for a certain period of time. The system is intended to encourage employees to take charge of their career development. It also boosts the motivation of younger employees in particular, and helps to expand their range of career options by experiencing the work of other departments. (Launched FY2017.3)

In FY2020.3, a total of 185 people from 13 domestic Group companies<sup>1</sup> participated.

### Career Challenge System

A system through which employees can apply directly to their chosen department for a transfer to a new position. Each year, about 80-100 employees apply to create their own career path. This system also facilitates transfers within the ORIX Group, and ultimately leads to better employee retention. (Launched FY2006.3)

### Career Challenge System from Age 45

The Career Challenge System, specifically for employees aged 45 and over, is designed to encourage the active

participation of the increasing number of senior employees. A total of 17 people from 15 domestic Group companies<sup>2</sup> applied in FY2020.3, and nine of them moved to and are now working in their chosen departments. (Launched FY2019.3)

## Self-development Support Systems

### System of Financial Support for Self-improvement

A system in which employees receive standardized welfare benefit points annually (equivalent to a voucher of ¥60,000 per year) so they can freely choose their own self-improvement, health promotion, and childcare and nursing care-related services. The purpose is to create a mutually beneficial cycle of personal and professional benefits by promoting the effective use of time created through the workplace reform project. (Launched FY2019.3)

## Systems to Support Flexible Working Styles

### System to Incentivize Employees to Take Their Vacation Days

A system that pays employees a standard incentive fee of ¥50,000 when taking consecutive holidays of 5 business days or longer. The objective of short vacations is not only to help employees to continue to perform at a high level, but to

prevent work from becoming dependent on any single individual. Taking on the duties of others during their absence helps to improve teamwork. (Launched FY2018.3)

In FY2020.3, the usage rate of this system was 94.2% in 9 domestic Group companies.<sup>3</sup>

1. 13 domestic Group companies: ORIX, ORIX Rentec, ORIX Auto, ORIX Credit, ORIX Real Estate, ORIX Computer Systems, ORIX Bank, ORIX Life Insurance, ORIX Eco Services, ORIX Asset Management & Loan Services, ORIX Asset Management, ORIX Real Estate Investment Advisors and ORIX Environmental Resources Management
2. 15 domestic Group companies: ORIX, ORIX Rentec, ORIX Auto, ORIX Credit, ORIX Real Estate, ORIX Computer Systems, ORIX Bank, ORIX Life Insurance, ORIX Eco Services, ORIX Asset Management & Loan Services, ORIX Asset Management, ORIX Real Estate Investment Advisors, ORIX Environmental Resources Management, ORIX Management Information Center and NS Lease
3. 9 domestic Group companies: ORIX, ORIX Rentec, ORIX Auto, ORIX Credit, ORIX Real Estate, ORIX Computer Systems, ORIX Bank, ORIX Eco Services, and ORIX Asset Management & Loan Services

- Please visit our website for details about our personnel system and human resource development system.  
 Personnel system: ▶▶▶ [https://www.orix.co.jp/grp/en/sustainability/employee/management\\_systems.html](https://www.orix.co.jp/grp/en/sustainability/employee/management_systems.html)  
 Human resource development system: ▶▶▶ <https://www.orix.co.jp/grp/en/sustainability/employee/development.html>
- Personnel-related data is available here: ▶▶▶ <https://www.orix.co.jp/grp/en/sustainability/employee/data.html>

# Our Foundation for Creating Value

## Sustainability

### Sustainability at ORIX

Since our founding, contributing to society by creating new value through our business activities has been fundamental to ORIX. We believe that it is important for a company to make a profit, but making a profit is not everything. Providing new value to society and being a company that is needed by society are also important, and the profit that results makes the company's sustainable growth possible.

In addition, operating with an awareness of sustainability has become fundamental to the survival of companies amid constantly shifting economic, social and environmental conditions. Such changes include the dramatic changes in the natural environment due to climate change, along with their related economic impacts, as well as changes in society's expectations regarding the relationship between companies and society.

Based on this thinking, ORIX strives to accurately assess and identify the opportunities and risks arising from economic, social and environmental changes in order to work with our stakeholders and community to contribute to the economic development and sustainable growth of the larger global community, and to incorporate those opportunities and risks into corporate management.

### Sustainability Initiatives

2018: October	Established Sustainability Task Force
2019: July	Established Sustainability Team in Corporate Planning Department
September	Adopted the ORIX Corporate Sustainability Policy, ORIX Human Rights Policy, and ORIX Sustainable Investing and Lending Policy Released Modern Slavery Act Statement
October	Issued Sustainability Report (English edition issued in November) Began sustainable investing and lending screening (began screening the ESG elements of investment and lending proposals pursuant to the Sustainable Investing and Lending Policy)
November	Began formulating and establishing sustainability action plans and targets of business units (aiming for finalization during FY2021.3)
2020: January	Issued green bonds
June	Launched the Sustainability Library to raise sustainability awareness in the company (introduces basic knowledge about sustainability and ORIX's sustainability initiatives)
July	Began sustainability training for employees

### Initiatives We Support

Name	Participating/Member/Supporting Companies (Initial year of participation/membership/support in parentheses)
UN Global Compact	ORIX Group (2014)
PRI (Principles for Responsible Investment)	Robeco (2011)
UNEP FI (UN Environment Programme Finance Initiative)	Robeco, ORIX Asset Management (2020)
TCFD (Task Force on Climate-related Financial Disclosures)	Robeco, ORIX Asset Management (2019)
21st Century Financial Behavior Principles	ORIX, ORIX Bank (2011), ORIX Asset Management (2019)
Japan Climate Leaders' Partnership (JCLP)	ORIX Group (2014)
Kansai SDGs Platform	ORIX Facilities (2015), ORIX Baseball Club, ORIX, ORIX Bank (2019)
SDGs for Regional Revitalization Public-Private Partnership Platform	ORIX Facilities (2015)

Note: As of September 30, 2020

## Sustainability Governance Structure

### Core Principles of Our Sustainability

#### Care for the natural environment

We measure and minimize our environmental impacts and look to provide solutions to society's environmental issues through our business.

#### Respect human and labor rights

We uphold human and labor rights as defined in international standards such as the Universal Declaration of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

#### Promote diversity, and care for the well-being of our employees

We respect the diversity of our employees and provide opportunities and environments maximizing their professional development. Furthermore, ORIX is committed to respecting the culture, customs and environment of countries and regions where we operate, and positively contribute to those economies and societies. We are also committed to creating safe and secure workplaces where our employees can thrive and where no forms of discrimination are tolerated.

#### Uphold the highest business ethics

At all times we conduct our business in accordance with all laws and promote fair competition. This includes rejecting all forms of corruption and bribery, not engaging in unethical transactions, associating with anti-social forces, or engaging in activities that could lead to conflicts of interest.

- For details of the Core Principles, see the ORIX Corporate Sustainability Policy.
- ▶▶▶ [https://www.orix.co.jp/grp/en/pdf/sustainability/about/orix\\_corporate\\_sustainability\\_policy.pdf](https://www.orix.co.jp/grp/en/pdf/sustainability/about/orix_corporate_sustainability_policy.pdf)
- ORIX is preparing to set Group goals (ESG goals) from a medium- and long-term perspective based on the Core Principles.

### Sustainability Governance Structure

The Sustainability Team reports to the Executive Committee, which makes decisions on promoting sustainability. It also reports as necessary to the Audit Committee, which is an internal organization of the Board of Directors. This both educates and prompts discussion and decision-making among the top executives and Directors at ORIX.



\*As of September 30, 2020