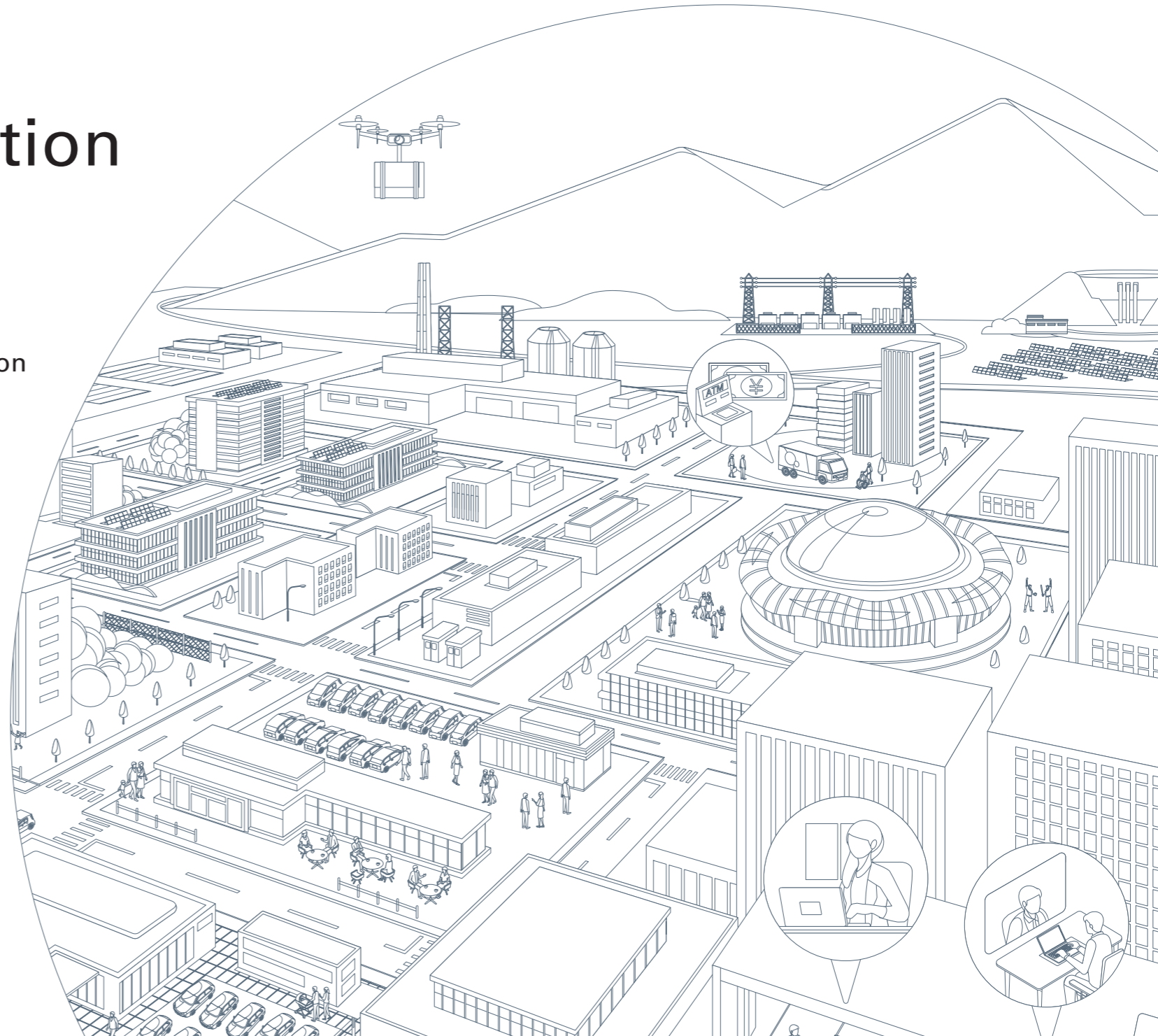


Management Foundation that Supports Sustainable Growth

This section introduces ORIX's management foundation that supports medium- and long-term value creation.

Financial Strategy and Capital Policy	38
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Financial Strategy and Capital Policy



Hitomaro Yano

Executive Officer

Corporate Function Unit

Responsible for Treasury, Accounting, Corporate Planning, Investor Relations and Sustainability

Profile

Joined ORIX in June 1989. Became Executive Officer, Corporate Function Unit Responsible for Treasury, Accounting, Corporate Planning, Investor Relations, and Sustainability in January 2023, following posts including General Manager of Treasury Department, Deputy Head of Treasury and Accounting Headquarters and Head of Treasury and Accounting Headquarters.

Management Conscious of Cost of Capital and Share Price

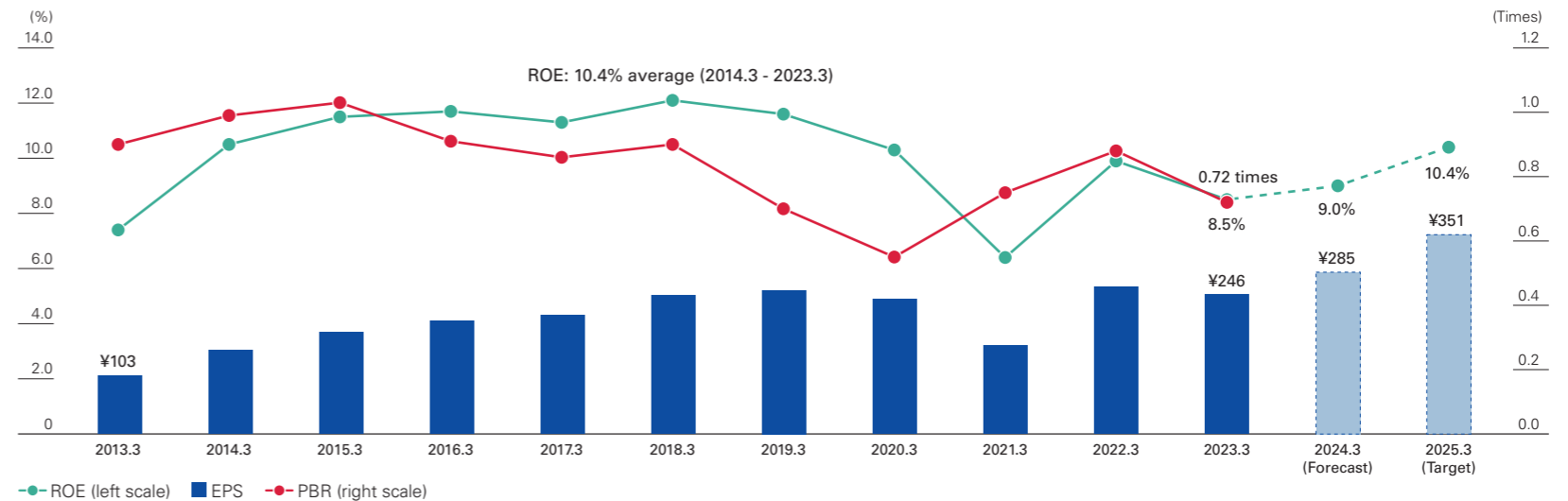
On March 31, 2023, the Tokyo Stock Exchange declared that corporations with a price book-value ratio (PBR) below 1.0 may have issues with market recognition of their capital profitability and potential for sustainable growth. To this end, it requested all listed corporations to analyze their current situation, devise initiatives, and engage in dialogue with shareholders. Since ORIX's PBR is currently below 1.0, we will begin by aiming to achieve that level, then follow up with further improvement. We therefore consider it essential to improve ROE and to help shareholders and investors further deepen their understanding of ORIX through improved disclosure and dialogue.

An analysis of historical data indicates a clear correlation between ROE and PBR, so we can expect improvement in ROE to lead to an increase in share price and recovery in PBR. Sustainable profit growth is of the utmost importance for this purpose. Concurrently, we will improve ROE by controlling the size of shareholders' equity at an

appropriate level—in other words, by optimizing the balance between investment and shareholder returns while considering capital adequacy to achieve the most efficient use of capital.

We will also continue working to improve information disclosure for investors, with an emphasis on clarity. For example, our presentation materials for the fiscal year ended March 2023 streamlined our profit targets up to the fiscal year ending March 2025 by reclassifying ORIX Group's 10 segments into four categories, dividing domestic business into financial and non-financial categories, and overseas business into ORIX USA / ORIX Europe and other. We also presented our main new investments and exits from existing investments in the fiscal year ended March 2023, along with examples from the past 10 years, in an effort to deepen investor understanding of our capital recycling by enabling them to verify our long-term track record in this area.

ROE, EPS, and PBR



Note: 2023.3 denotes the fiscal year ended March 2023.

Financial Strategy and Capital Policy

Communication with Institutional Investors

We are working proactively to expand opportunities for dialogue with shareholders and investors in Japan and overseas. Our investor relations (IR) activities are spearheaded by the Group CEO and conducted primarily by the officer and department responsible for IR. Our two offices in Tokyo and New York held more than 500 investor meetings during the fiscal year ended March 2023. The CEO personally conducts presentations at semiannual financial results briefings, and we are increasing opportunities for face-to-face meetings with major institutional investors both in Japan and abroad.

Recently, an increasing number of inquiries and requests from investors concern our individual businesses and their management. In response, we intend to enhance thematic explanations of each business. We are also aware of investors' great interest in the details of discussions on corporate governance and succession at the Board of Directors and other internal meetings that include outside directors, and believe such information should be made available as well.

Number of Events Held per Year (FY ended March 2023)

One-on-one meetings with institutional investors	Approx. 500
Briefings for analysts and institutional investors	4 (quarterly)
Overseas road-shows (on-site)	5
Securities company-sponsored conferences	10
Briefings for individual investors	1

Control of Capital and Debt

As I mentioned previously, we want to control the size of shareholders' equity at an appropriate level, and to so do, we believe it is essential to deliver shareholder returns while maintaining financial soundness to enjoy the benefit of low cost funding. We will therefore seek and maintain an optimal level of leverage. ORIX has been continuously lowering its leverage ratio amid the global trend toward lower interest rates spurred by the 2008 financial crisis. This is because the business model of capitalizing on interest rate spread has become less profitable, forcing us to expand and shift our business domain from financing to operating and investment, heightening the need for us to ensure a shareholders' equity ratio commensurate with the risks inherent in our operating assets and types of business.

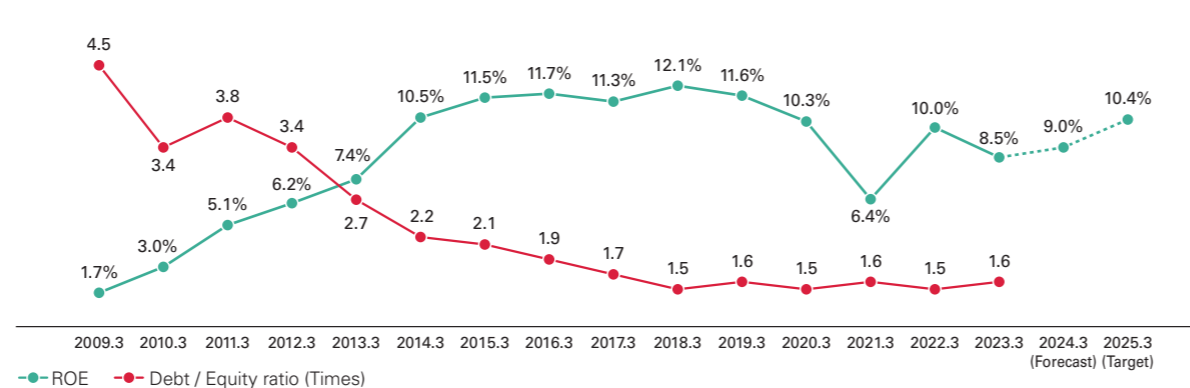
A lower leverage ratio is not necessarily better. To continue to achieve 11% ROE after we reach the 10.4% ROE target for the fiscal year ending March 2025, it is essential for us to keep engaging in highly profitable businesses while using shareholders' equity efficiently. We must control leverage at an appropriate level by being conscious of the cost of capital while maintaining financial soundness.

For example, ORIX independently measures the amount of risk (risk capital) in its assets and businesses, and calculates the employed capital ratio as the ratio of risk capital against shareholders' equity.

This ratio has been constantly trending at around 90% for the past five years, reflecting sale of assets and accumulation of internal capital reserves, though it may temporarily rise due to the execution of a large-scale investment. We are committed to investment with superior return on capital while ensuring shareholders' equity at an adequate level vis-à-vis risk capital.

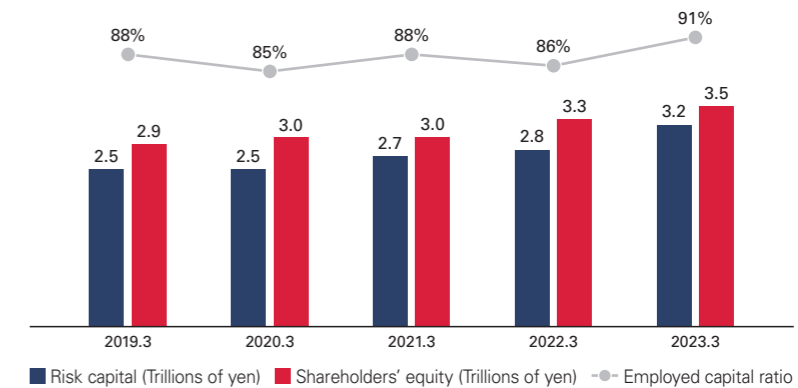
To reflect this approach to cost of capital in building its portfolio, ORIX is quantifying profitability by comparing return on invested capital (ROIC) with weighted-average cost of capital (WACC) calculated based on the capital structure required in each business unit. We require higher ROIC and thus a higher level of WACC in a business unit with a higher shareholders' equity ratio, such as those involved in investment. We use ROIC and WACC as one of our approaches to business administration, and the Board of Directors is considering measures to improve the business portfolio utilizing ROIC spread (difference between ROIC and WACC). Use of the ROIC spread involves consideration of mid- to long-term growth based on an outlook over multiple years, as single-year profit may fluctuate depending on the characteristics of the business. For business units with a negative ROIC spread, we will consider future business plans and the prospect of improvement in profitability.

ROE and Debt/Equity Ratio (excluding Deposits)



Note: 2023.3 denotes the fiscal year ended March 2023.

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



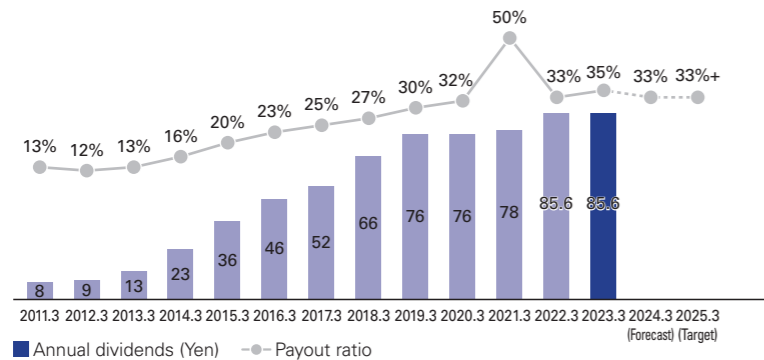
* Employed capital ratio is the ratio of risk capital to shareholders' equity. ORIX calculates risk capital based on historical maximum decrease for all assets.

Financial Strategy and Capital Policy

Shareholder Returns

Based on the approach described above, ORIX's Board of Directors established our fundamental policy for shareholder returns, which is to allocate one-third of net income to dividends, one-third to new investments, and the rest to capital reserves or other flexible forms of shareholder returns. We view dividends as stable, ongoing shareholder returns. The Medium-term Direction designates a payout ratio of 33% or a dividend in the same amount as the previous fiscal year, whichever is higher, for the fiscal year ending March 2024, and 33% or higher for the fiscal year ending March 2025. Just how much higher than 33% the payout ratio will be in the fiscal year ending March 2025 will be considered going forward, but I expect it to demonstrate our stance of focusing more on dividends, due in part to the scheduled termination of our shareholder benefit program at the end of March 2024. ORIX has paid dividends that were equal to or

Dividends per Share and Payout Ratio

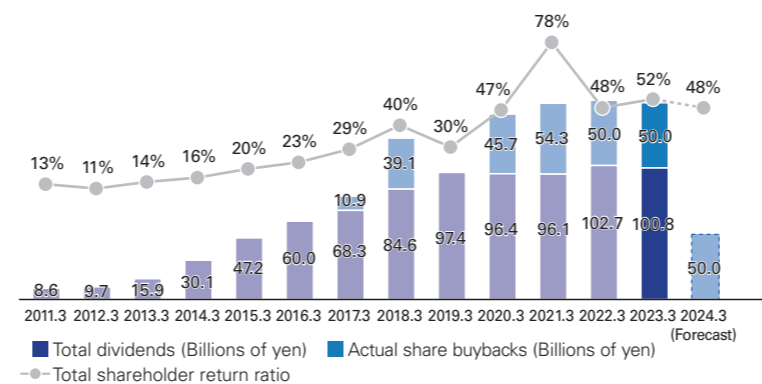


Note: 2023.3 denotes the fiscal year ended March 2023.

greater than the previous fiscal year's dividend for each of the past 12 fiscal years, and we are determined to deliver still higher dividends commensurate with our mid- to long-term profit growth by maintaining a 33% payout ratio.

Each fiscal year, we will allocate a certain portion of profit to internal capital reserves to make new investments for sustainable growth. While ORIX has a healthy investment appetite with abundant opportunities in the pipeline, we are very cautious in making final decisions on any investments. Depending on the market environment, we may sometimes hold off on investments for a while, in which case we will flexibly implement shareholder returns through share buybacks rather than accumulating surplus funds. We currently conduct share buybacks regularly, and this stance will continue in the future.

Share Buybacks and Total Shareholder Return Ratio



Credit Ratings

One source of ORIX Group's competitiveness is its ability to raise funds stably at low interest rates, and we remain conscious of external credit ratings and evaluation by financial institutions to maintain financial soundness. That said, our view of financial soundness may differ from that of rating agencies, which emphasize accountability based on rigorous application of rating criteria and comparison with industry peers in assigning ratings. This discrepancy may at times leads to actions involving our credit rating, especially where a large-scale investment is involved. We believe we should avoid management decisions that miss out on a good investment opportunity because of excessive concern for maintaining current credit ratings. We will avail ourselves of investment opportunities we consider to be good risks based on our own careful analysis, and work to ensure solid financial soundness even if our views differ from the criteria and analytical methods adopted by rating agencies. We also hold regular meetings with representatives of rating agencies to exchange opinions. Through this dialogue, we strive to help them understand ORIX's management and its future direction. We also adopt their suggestions if we consider them effective for maintaining financial soundness, thereby achieving sustainable growth while maintaining financial soundness.

Credit Ratings (As of June 2023)

Rating Agency	Credit Rating
S&P	A- (Watch Negative)
Moody's	A3 (Stable)
Fitch	A- (Stable)
R&I	AA- (Stable)
JCR	AA (Stable)

Financial Strategy and Capital Policy

Asset-Liability Management (ALM)

Since the assets and liabilities ORIX holds involve inherent risks from exposure to the impact of interest rates, exchange rates and other financial market trends, we have established internal regulations concerning ALM to monitor these risks from multiple perspectives. For example, for interest rate fluctuation risk, we start by measuring the assumed risk amount for each currency against the allowable risk amount set at the beginning of the period, then determine the sensitivity of assets and liabilities and the amount of impact on financial condition when interest rates fluctuate. Through these and other types of monitoring, we determine future debt financing policies and implement risk hedging using derivatives as necessary. As a general rule, we hedge foreign exchange risks by raising funds in the

same currency as our operating assets and our overseas investments denominated in foreign currencies.

Another critical aspect of ALM is dealing with liquidity risk. We manage liquidity to ensure uninterrupted cash flows along with the ability to repay debt even in the face of emergencies such as a financial crisis. For liabilities, we control liquidity on hand at an optimum level within a necessary and sufficient range by extending the funding period or staggering the redemption period to avoid concentration of maturities within a narrow timeframe. We strive to keep liquidity on hand at an appropriate level by conducting regular stress tests based on a hypothetical financial crisis.

Conclusion

ORIX will continue capital recycling and maintain its policy of emphasizing profitability while controlling asset size. Promising opportunities in the pipeline alone amount to around ¥1.5 trillion (as of May 2023). We expect renewable energy, private equity investment, asset management, and aircraft-related investment to drive growth as we work toward our net income target for the fiscal year ending March 2025. As we accumulate these investment assets, we will proactively sell businesses and assets in response to market conditions. In line with such asset side activities, we will use a variety of financing methods on the funding side including domestic and overseas capital markets, borrowings from financial institutions, project finance, and asset securitization. We consider agile financial management in response to constantly changing market trends to be a key role of our treasury department.

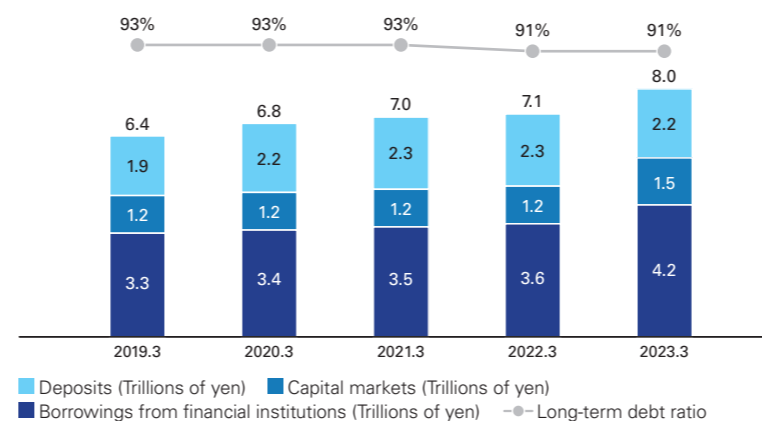
Interest Rate and Forex Sensitivity

Interest rate sensitivity* ¹	<ul style="list-style-type: none"> Japanese yen, US dollar: Negligible Euro: -¥2 to -¥3 billion
Forex sensitivity* ²	<ul style="list-style-type: none"> +¥1.5 billion

*¹ Sensitivity of pre-tax profits assuming a 1% increase in interest rates lasting for 12 months.

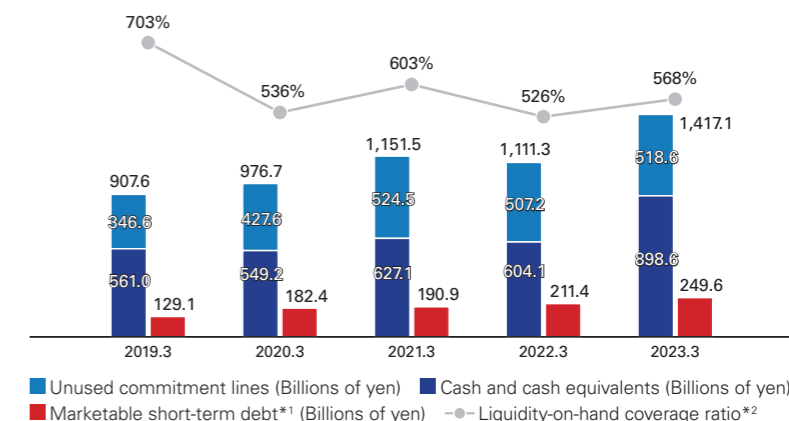
*² Sensitivity of pre-tax profits assuming ¥1 depreciation lasting for 12 months.

Funding Structure and Long-term Debt Ratio*



Note: 2023.3 denotes the fiscal year ended March 2023.

Liquidity on Hand



Human Resources Strategy

ORIX's Human Resources Strategy



Tomohiko Ishihara

Executive Officer
Corporate Function Unit
Responsible for Human Resources,
Corporate Administration and Corporate Communications
Responsible for Secretariat of the Board of Directors

Profile

Joined ORIX Asset Management & Loan Services in May 2002, and ORIX in October 2005. Previously worked at Mitsui Trust and Banking Company (currently Sumitomo Mitsui Trust Bank). Engaged in legal affairs at ORIX Asset Management & Loan Services, and in the formation of regional revitalization funds and various business investment projects at ORIX. In 2023, became Executive Officer Responsible for Human Resources, Corporate Administration and Corporate Communications in the Corporate Function Unit.

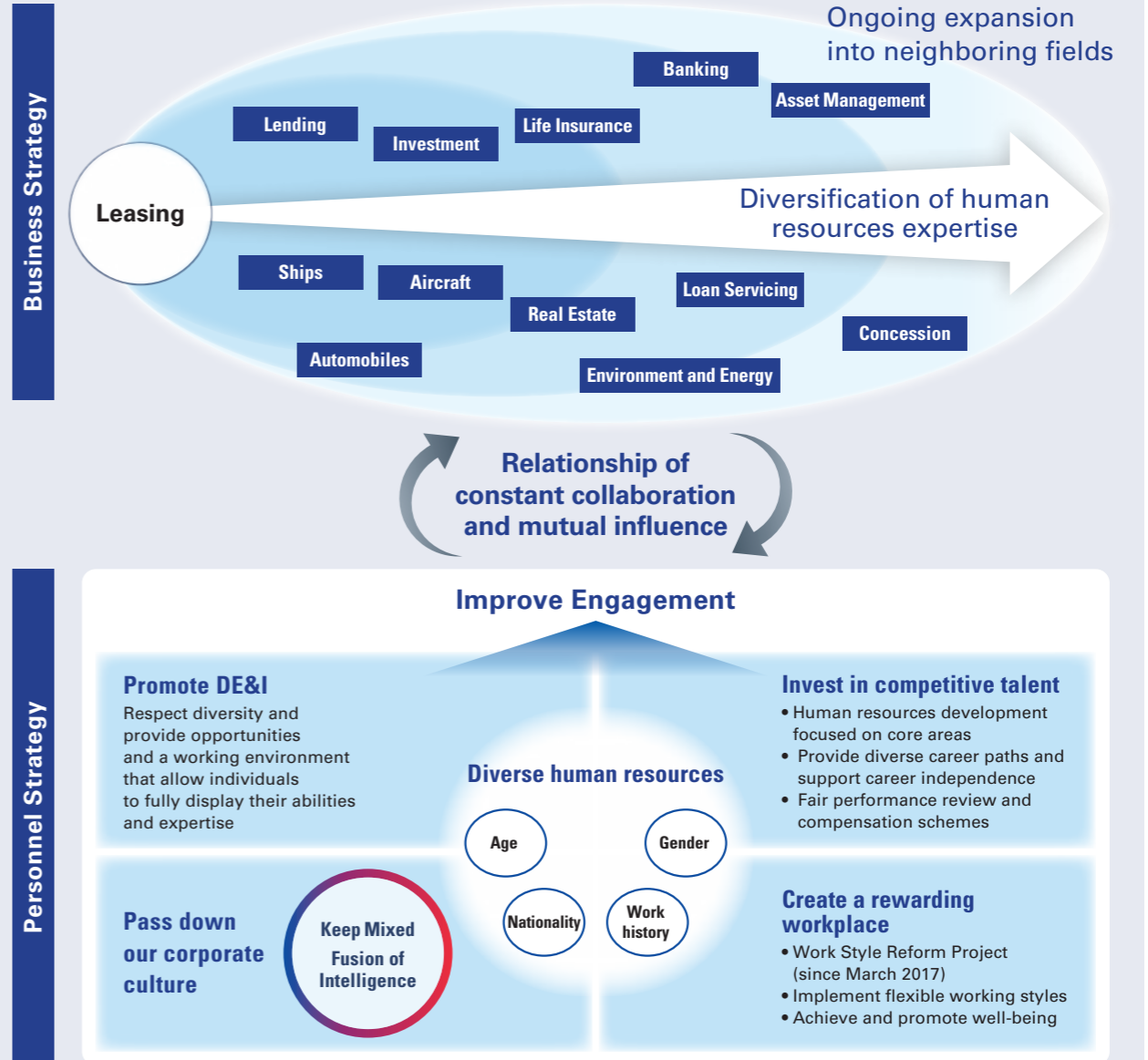
ORIX was established as a leasing company in 1964, and has expanded its business into a series of neighboring fields.

The leasing business requires expertise in two areas: financing and tangibles (properties). Our expertise in financing that started with leasing has now broadened to lending, business investment, life insurance, banking, and asset management, while our expertise in tangibles has expanded from ships, aircraft, industrial / ICT equipment, automobiles, and real estate to the loan servicing, environment and energy, and concession businesses. In addition, since we initiated overseas operations in Hong Kong in 1971, we have expanded our international presence to 28 countries and regions as of March 2023.

This growth has been shored up by ORIX's human resources. However, expanding business fields and creating new value cannot necessarily be achieved with existing human resources and expertise alone. In addition to accepting diverse employees regardless of nationality, age, gender, or work history, and creating a working environment where everyone can play an active role, we need a corporate culture that organically connects the expertise of new employees with existing expertise to take on challenges in new fields. At ORIX, we refer to the former as "Keep Mixed" and the latter as our "Fusion of Intelligence." These are values that have arisen spontaneously within ORIX as its corporate culture that has been handed down uninterrupted since the founding of ORIX.

Business growth and human resource development are intimately linked as the two wheels of a chariot. The more a business grows and expands, the more diverse and deeper the expertise of its employees becomes. ORIX has therefore focused on building a foundation for its human resources so it can flexibly shift its human resource portfolio without slowing business development. In addition to our focus areas of private equity investment, environment and energy, and asset management, we are also developing specialists in the field of governance that supports global expansion, the promotion of digitalization, and the field of IT and information security, as well securing external talent.

Looking ahead to medium- and long-term business development, we will develop employees who can use their familiarity with our existing fields to go the extra step in adding value, and secure talent who can immediately put their expertise to work in new fields. By synergizing these two approaches, we aim to achieve sustainable growth.

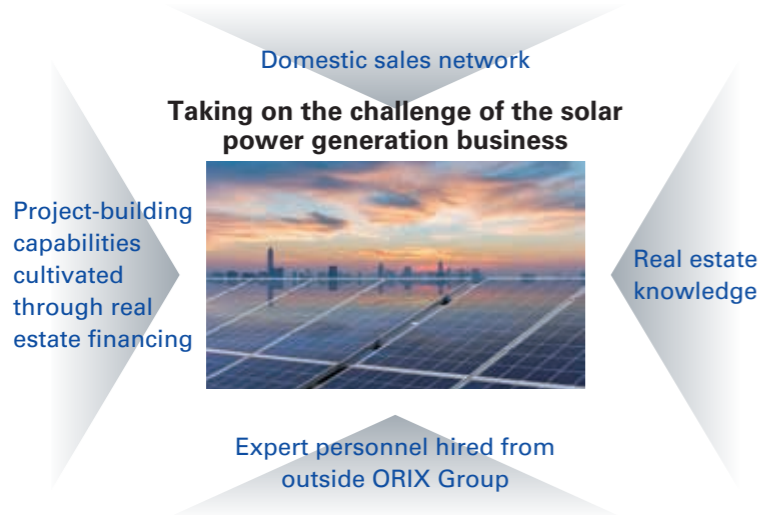


Human Resources Strategy

Strengths of ORIX's Human Resources

Case Study 1: Environment and Energy

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



Case Study 2: Concession

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



Corporate Culture and the Working Environment That Supports It

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

The morale survey also provides a fixed-point understanding of employee job satisfaction and ease of working, which is analyzed by gender, age, and other attributes, as well as by department and length of service. At the same time, we revitalize the organization by conducting stress checks and sharing organizational analysis reports with department heads to create a workplace where all employees can work in a healthy and safe manner.

While directly incorporating employee feedback, we have launched a Work Style Reform Project with the aim of creating a comfortable and rewarding working environment. Through these activities, we are instilling a culture that recognizes diverse values and work styles.

Through efforts to improve productivity and to achieve and promote employee well-being in response to a changing environment, we aim to create a workplace where all employees can continue to demonstrate their full potential.

Human Resources Strategy

Promoting Diversity, Equity, and Inclusion in Human Resource Development

ORIX Group's most important asset is its human resources. The source of ORIX Group's growth is the creation of new value through a "Fusion of Intelligence" of diverse values and expertise. To continue providing new value, it is essential to ensure not only diversity in conventional attributes such as nationality, age, gender, and work history, but also diversity in perspectives and ways of thinking, based on our concept of "Keep Mixed."

We must therefore not merely promote diversity as a means of fostering a culture that accepts diverse knowledge and values, and inclusion as a means of developing an environment where diversity spurs friendly competition. We believe that it is also necessary to further promote the concept of equity. This means that we provide support tailored to each employee's area of expertise and background, and implement personnel measures that enable all employees to continue to play an active role.

Support for Independent Career Building

To develop such human resources, it is important for each employee to set clear goals for their own career, to strive proactively for self-improvement toward those goals, and ultimately to increase the value of their expertise and experience through their own business activities. ORIX has established various systems in support of these efforts.

Our distinctive programs such as the internal internship system (a system that enables employees to work in a department of their choosing for a certain period of time) and the career challenge system (a system that enables employees to directly request a transfer to the department of their choosing) help employees build independent careers and proactively take on challenges by experiencing various Group operations while remaining ORIX employees.

In the fiscal year ending March 2024, we started an online course with our employees as instructors to further support independent career building. In this course, employees from each department who are familiar with its business not only talk about their work and the appeal of their jobs, but also introduce their careers and the self-

improvement they are working on. Having actual employees talk not only makes their work feel closer and grants a deeper understanding of ORIX Group's businesses, but also provides an opportunity to draw a more concrete career path by clarifying the skills required and the details of self-improvement.

We also provide rank-specific training, programs to acquire specialized skills according to the work of each department, and an online learning platform where employees can equitably learn a wide range of content regardless of time and place. Average annual training hours per employee at ORIX Corporation in the fiscal year ended March 2023 was 24 hours, and the average annual training cost was ¥98,646.

Metrics and Targets for Promoting DE&I

One of our ESG-related material issues is to continue to improve employee satisfaction by respecting the diversity of our employees and creating an equitable and inclusive working environment that

promotes flexible working styles and provides career development support, fair performance review and compensation schemes, and employee health support systems.

In addition to hiring new university graduates in Japan, ORIX is also focusing on hiring mid-career employees that bring new knowledge and hiring new university graduates overseas. Mid-career hires accounted for 70.0% of ORIX Corporation's hires in the fiscal year ended March 2023. As of March 31, 2023, 40.3% of our employees are mid-career hires and 1.9% are foreign nationals. In addition, female employees account for 44.2%.

Through the practice of ORIX's human resource strategy "Keep Mixed," we consider the promotion of active participation by women to be one of the benchmarks for participation in decision-making and equal leadership opportunities for employees with diverse backgrounds. We have set and are promoting an increase in the ratio of female managers as one of our key goals.

Key Goal

Female employees to account for over 30% of management positions at ORIX Group by the end of the fiscal year ending March 2030.

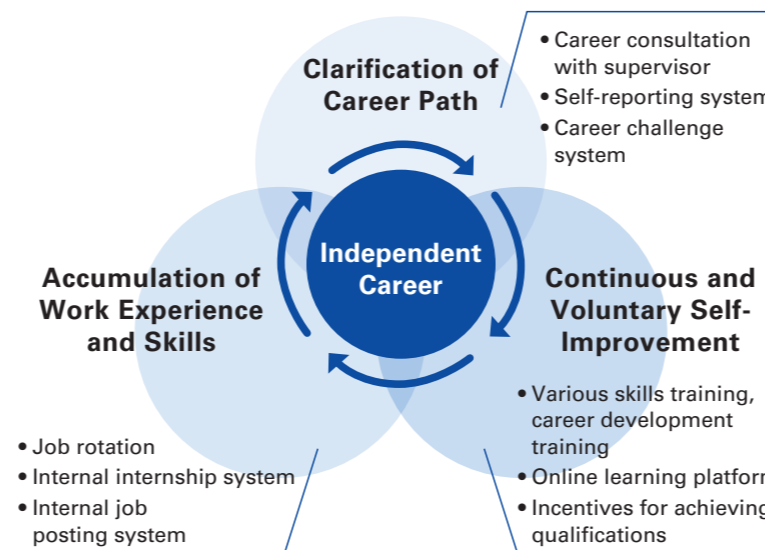
—As of March 31, 2023, the ratio of female managers in ORIX Group was 29.8% at ORIX Corporation and 25.7% at the 10 Group companies in Japan*.

* The 10 Group companies in Japan refers to ORIX, ORIX Auto, ORIX Rentec, ORIX Asset Management & Loan Services, ORIX Real Estate, ORIX Eco Services, ORIX Life Insurance, ORIX Bank, ORIX Credit, and ORIX Computer Systems. ORIX Corporation and the nine other Group companies jointly operate part of their human resources and personnel systems based on ORIX Group's personnel strategy.

See here for details.

- ▶▶▶ [Human Resources System](#)
- ▶▶▶ [Performance Review and Compensation Scheme](#)
- ▶▶▶ [Human Resource Development System](#)
- ▶▶▶ [Health Promotion System](#)

▶ Page 84 ESG Data



Human Resources Strategy

Viewing ORIX's Human Resources and Corporate Culture through Its New Business Initiatives and Interdepartmental Collaboration



Nobuki Watanabe

Executive Officer
Group Strategy Business Unit
Responsible for CEO's Office
and New Business
President,
ORIX Capital Corporation

Profile

Joined ORIX in August 2001. Previously employed at Daiwa Securities Co., Ltd. At ORIX, has been mainly engaged in business investment, and involved in many projects such as the acquisitions of Robeco and Yayoi, participation in the Kansai International Airport concession, and investment in Avolon Holdings Limited. After serving in positions including General Manager of New Business Development Department and Assistant to Responsible for Group Strategy Business Unit, appointed Executive Officer Responsible for CEO's Office and New Business in the Group Strategy Business Unit in January 2023 (to present).

Knowledge and Know-How Accumulated through Interdepartmental Collaboration Lead to Improvement of the Entire Organization

In conducting M&A and business investment, I emphasize an approach of "strategize boldly, execute cautiously." I believe it is important to conceive of bold strategies with a high degree of freedom while carefully considering risk-return tradeoff to identify "good risks" in management decisions.

Balancing the use of the accelerator and brakes is difficult. Therefore, the CEO's Office and New Business Development Department, which I oversee, serve as a middle office that combines the functions of sales and management departments. In particular, we are responsible for execution functions such as due diligence, valuation, and structuring, and support investment and new business projects from their inception. The CEO's Office handles overseas projects, and the New Business Development Department mainly handles domestic projects. Through measures such as seconding members to work concurrently in business units, we move projects forward with a sense of urgency in examining businesses and assessing risks through careful due diligence, even in areas that require specialized knowledge.

By advancing projects together with employees in the field, the department develops a track record of the processes, knowledge, and know-how needed to bring the project to fruition, which also leads to human resource development. Moreover, passing on the knowledge and know-how acquired by experienced employees to younger employees and others creates a cycle that improves the entire organization and further accelerates its responses.

New Business Job Posting System Helps to Foster a Spirit of Challenge and a Corporate Culture of Collaboration

The internal new business idea competition (*Orichare* - ORIX Challenge), which started in 2019, will be held for the fifth time in 2023. This is an initiative to solicit new business ideas lying dormant within ORIX Group, work out business plans together with the *Orichare* promotion staff in the New Business Development Department and external mentors, and commercialize them after undergoing a final internal review.

Through measures including creating teams composed of the members

who drafted the proposal and *Orichare* promotion staff, discussions with external mentors, and questions from officers and external experts, the process of bringing business proposals to fruition contributes not only to the growth of our employees, but also to fostering a spirit of challenge and a corporate culture of collaboration.

Venture Capital Investment That Combines the Expertise of External Talent and the Knowledge of ORIX Employees

In December 2022, ORIX Capital resumed venture capital (VC) investment. Since its founding in 1983, ORIX Capital had been actively engaged in investing activities, investing in 1,655 companies, 216 of which have conducted an IPO. After temporarily suspending new investment due to the 2008 financial crisis, we invited external experts with extensive experience in venture capital and resumed investment activities. By forming a team centered on external staff with an up-to-date awareness of the market and extensive work experience as venture capitalists, together with participation by junior and mid-career employees from ORIX, we will combine the expertise of external talent with the financial knowledge and investment experience of our own employees to conduct VC investment that is unique to ORIX Group.

ORIX Group Purpose Discovery Project

ORIX Group has grown into one of Japan's leading corporate enterprises, with approximately 35,000 employees in 28 countries and regions. As the globalization and diversification of our business advances and more employees with diverse backgrounds work in ORIX Group, since June 2022 we have been conducting a project to specify our Group purpose to foster anew a sense of organizational unity. To match the overall balance of ORIX Group in terms of attributes such as age, gender, and occupation, we have recruited more than 100 employees in Japan and overseas to discuss the strengths of the Group and the value we want to provide to society among diverse project members. Officers as well as employees have been discussing the message that we want to pass on to the next generation.

Risk Management

Approach to Risk Management

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

Risk Management System

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

Group-wide Risk Management System (As of June 30, 2023)



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

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

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

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



Risk Management

Risk Factors and Risk Management

Risk Factors	Risk Management	Departments Handling Risks	Executive Bodies Related to Risk Management
External environment-related risk	<ul style="list-style-type: none"> Establishment of a system that enables sound financial operation to continue by diversifying our profit structure with diversified business development and by securing sufficient liquidity Establishment of a disaster risk management system <ul style="list-style-type: none"> ▶▶▶ Business Continuity Planning (Disaster Risk Management System) Establishment of a system to respond to climate change risks <ul style="list-style-type: none"> ▶ Page 29 Sustainability Governance Structure ▶ Page 35 Information Disclosure Based on TCFD Recommendations 	Corporate planning, Credit, Public relations, Public affairs, Investor relations, Sustainability, Treasury, ERM	Executive Committee Sustainability Committee
Credit risk	<ul style="list-style-type: none"> When appraising individual projects, comprehensively evaluate the credit recipient's financial condition, cash flow, underlying security interests, profitability, etc. Strengthen credit risk management methods for individual projects and portfolios (obtaining sufficient collateral and guarantees, diversifying industries and credit recipients, controlling exposure to potentially high-risk markets) <ul style="list-style-type: none"> ▶▶▶ Risk Management System for Investing and Lending 	Credit, Corporate planning, Accounting, ERM	Investment and Credit Committee
Business risk	<ul style="list-style-type: none"> Thoroughly analyze risk (scenario analysis and stress testing) before executing a business or investment Improvement of the quality of products and services through regular monitoring as well as evaluation and verification of withdrawal costs, after execution of businesses and investments <ul style="list-style-type: none"> ▶▶▶ Risk Management System for Investing and Lending 	Credit, Corporate planning, Accounting, ERM	Investment and Credit Committee
Market risk	<ul style="list-style-type: none"> Establishment of an integrated management system for assets and liabilities (comprehensive understanding and verification system for market risks, using derivative transactions as a means of hedging) 	Credit, Treasury, Corporate planning, Accounting, ERM	Executive Committee
Liquidity risk (risk related to funding)	<ul style="list-style-type: none"> Promotion of diversification of procurement methods Strengthen management of liquidity on hand (implementing stress tests of liquidity risk and developing countermeasures, understanding liquidity risks for each country as well as subsidiary and developing countermeasures) 	Treasury, ERM	Executive Committee
Compliance risk	<ul style="list-style-type: none"> Establishment of an effective compliance structure alongside a corporate culture that values high ethical standards (formulating and implementing a compliance program, establishing internal regulations and promoting compliance awareness through activities to disseminate information, establishing internal and external compliance hotlines) <ul style="list-style-type: none"> ▶▶▶ Compliance 	Compliance, Public relations, Public affairs	Executive Committee Sustainability Committee
Legal risk	<ul style="list-style-type: none"> Establishment of a legal compliance and legal risk management system (establishing internal regulations for legal compliance, understanding laws and regulations applicable to each business, and implementing appropriate responses to revisions to the law) 	Legal, Accounting, Investor relations, Sustainability	Executive Committee Sustainability Committee
Information and cybersecurity risk	<ul style="list-style-type: none"> Establishment of an information system and cybersecurity risk management system (establishing internal regulations, implementing technical measures such as vulnerability management measures for information systems and network protection, establishing systems for response in the event of information security incidents, and implementing measures to reduce the risk of system failures) <ul style="list-style-type: none"> ▶▶▶ Information Security 	Information Security	Information Technology Management Committee
Operational risk	<ul style="list-style-type: none"> Establishing, disseminating, and training about internal regulations Establishment of systems related to execution of operations <ul style="list-style-type: none"> – Building an internal control system for financial reporting – Establishment of a personnel system and a work environment to stably secure diverse human resources <ul style="list-style-type: none"> ▶▶▶ Human Resources Strategy to Support Sustainable Growth – Continuously strengthen the overall risk management system through monitoring of operational risks by the Audit Department Establishing system for responding to and preventing recurrence of operational risk incidents, and risk control self-assessment <ul style="list-style-type: none"> ▶▶▶ Incident Management System 	ERM, Human resources, Corporate administration, Accounting, Public relations, Public affairs	Executive Committee Sustainability Committee

Risk Management

Investment Risk Management: Assess and Manage Risks for Both Individual Projects and Portfolios from Entrance Screening to Post-implementation Monitoring



Ikuo Nakamura

Executive Officer
Group Strategy Business Unit
Responsible for Credit and Investment Management

Profile

Joined ORIX in November 1998. Previously employed by The Long-Term Credit Bank of Japan, Limited (currently SBI Shinsei Bank, Limited). At ORIX, he has had experience in private equity investment and global business (investing in emerging countries and financial business in the Asian region) for approximately 10 years each, and has been involved in credit since 2020. In 2023, he was made Executive Officer responsible for Credit and Investment Management in the Group Strategy Business Unit.

The person responsible for Credit and Investment Management is in charge of assessing and managing the risks associated with investing and lending transactions through the screening and monitoring of various projects as the unit that serves as ORIX'S internal control-related function for credit.

ORIX's businesses are diverse, and screening of investing and lending transactions entails judgments about projects in a wide range of fields, sometimes even unfamiliar ones. Based on profitability analysis encompassing IRR and NOI, efficiency of ROE and ROA, cost of equity capital, and other factors, we verify whether we can secure a sufficient return commensurate with the risk. We identify risks from various perspectives, such as business risks, market fluctuation risks, and asset value fluctuation risks until funds are collected, and together with our legal, accounting, compliance, and other specialized functions, we have built a framework that allows us to analyze a wide range of risks and make comprehensive decisions.

By monitoring the progress of individual projects and changes in the portfolio after making an investment, we have established a system to quickly grasp changes in the business environment and other factors and take necessary measures in a timely manner. For individual projects, we monitor whether there are any changes in business details or circumstances, such as whether the business earnings of each project or progress in the management integration process falls below a certain level. We also monitor whether there are any changes in the entire portfolio, using this information in project screening.

Currently, ORIX Group has accumulated a wide variety of investments under a theme of "capital recycling." Our aim is cyclical business expansion and portfolio optimization from selling investments we hold and allocating those funds to other investments. Recently, the market is uncertain at the global level due to inflation, financial instability, and other factors. While considering optimization of ORIX Group's portfolio, we intend to strengthen our risk assessment of individual projects to stay ahead of sudden changes in the market.

Strengthening ERM Functions: Ongoing Improvements in Risk Management in Response to the Diversified Business and Growth of ORIX Group



Takashi Otsuka

Executive Officer
Group Strategy Business Unit
Responsible for Enterprise Risk Management

Profile

Joined ORIX in May 2020. Previously engaged in risk management at Goldman Sachs Japan Co., Ltd. for over 15 years and was Chief Risk Officer. At ORIX, he has been in charge of strengthening enterprise risk management functions throughout the Group. In 2023, he was made Executive Officer responsible for Enterprise Risk Management in the Group Strategy Business Unit.

At ORIX, we leverage our extensive sales network in Japan and overseas and use our financial knowledge and know-how accumulated over many years to hold discussions with internal control-related functions and make decisions in committees and other bodies. This gives us a robust system for screening individual projects from various perspectives and levels and for post-investment monitoring. As ORIX's enterprise risk management function, the ERM unit is developing and strengthening systems so that we can accurately grasp and evaluate characteristics of various risks related to portfolios made up of these individual projects on a global level, and ensure appropriate management according to the type of risk and the degree of impact on management.

One important tool for this is a dashboard. In collaboration with credit and other related functions, we have started operation of a dashboard that visualizes risk for the entire Group, including financial and non-financial risks. This has been strengthened as a mechanism to share risk information more quickly and systematically with top management and related departments and lead to necessary actions.

Through this mechanism, we can grasp and evaluate the impact of various global events occurring inside and outside ORIX Group, and link the results to actions. In this manner, we have put in place measures that enable risk management in response to the diversified business and growth of ORIX Group.

We intend to continue to improve, enhance, and digitalize our dashboard and other tools for a platform that grasps risk information from various levels and approaches, thus enabling us to respond in the VUCA* era so that ORIX can continue to diversify and grow its business.

* V (Volatility), U (Uncertainty), C (Complexity), A (Ambiguity)

Promoting a Digital Transformation

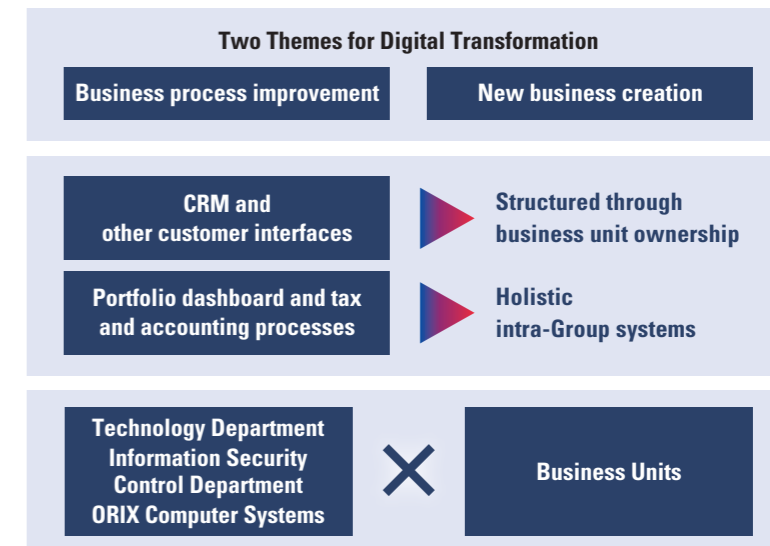
Business Process Improvement and New Business Creation

ORIX is undertaking digitalization to fully deploy the intellectual capital of its accumulated knowledge and expertise. We are therefore digitalizing with due consideration for the diversity of our businesses, which involves striking a balance between what is optimal for each individual business and for the Group at large. We categorize our promotion of digital transformation into two themes: business process improvement from digitalizing and streamlining internal operations, and the use of digital technology and data to create new businesses. ORIX prioritizes business process improvement while creating new businesses, with emphasis on our balanced approach to optimizing both individual businesses and the Group at large.

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

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

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



Promoting Our Digital Strategy



Takuma Nagasawa

Head of Digitization & Digitalization Office
Corporate Business Headquarters

Profile

Joined ORIX in November 2005 following experience at a startup. At ORIX, has been engaged in financing for customers in the information and telecommunications industry, planning and operation for the new business of providing credit information services, business improvement through the introduction of smartphones, CRM, and other methods, and B2B marketing. Assumed his current position in 2021 with the establishment of the Digitization & Digitalization Office.

In the digital transformation (DX) of the Corporate Business Headquarters, which is the Group's core sales platform, our mission is to integrate customer and Group information, and connect online with customers and partners for a system that appropriately and suitably provides the Group's financing functions and services. In addition, by lowering the threshold for digitalization and DX for the small and medium-size enterprises (SMEs) nationwide who are our main customers as well as for ORIX, we intend to deliver the benefits of digital technology, such as ChatGPT*¹, to a wide range of people.

We are therefore currently working for both the reform and digitalization of internal operations and new businesses. For the reform and digitalization of internal operations, we are working to streamline information and to improve productivity and risk management. Our work entails aggregating not just sales information but also core information such as applications, approvals, and contracts in customer relationship management (CRM), and linking it with core systems via API*². As for new business, we have developed an online storage service that can be used to search and share

documents in compliance with Japan's Electronic Books Preservation Act by simply uploading business documents and digitizing them using AI-OCR*³ technology. The service has been launched under the name PATPOST, which connotes instantaneous storage and sharing in Japanese.

Both initiatives are being carried out by an organization for co-creation and in-house production that brings together mainly young mid-career hires with various backgrounds and members of an IT department on loan from ORIX Computer Systems. We are working to acquire design capabilities for businesses and operations premised on digital technology. Our ultimate aim is to use mechanisms that digitalize and link internal information and customer information to create systems that interconnect value from various industrial and academic fields to provide convenience from across ORIX Group to end consumers.

*1 ChatGPT: Artificial intelligence (AI) that generates natural text, released by OpenAI of the United States in 2022.

*2 API: Application Programming Interface (mechanism for connecting systems and sharing data and functions).

*3 AI-OCR: AI-Optical Character Recognition (optical character reader incorporating AI).