

# Growth Strategies for Creating Value

This section introduces the value creation that ORIX targets over the mid- to long-term.

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# CEO Commentary

In this interview, Makoto Inoue, ORIX's Chief Executive Officer, assesses the business environment, discusses which fundamental business strategies will remain most relevant in the future, and lays out the goals of the newly introduced disclosure using three categories.

## Q: What are your perceptions of the business environment?

**Inoue:** Interest rates, exchange rates, and other aspects of the external macroeconomic environment are changing. The Bank of Japan set short-term yen interest rates at zero to negative levels and implemented yield curve control in maintaining monetary easing policies for the yen for an extended period toward the Japanese government's goal of ending long-term deflation. However, now Japan has been transitioning back toward rates hikes in a return to a "world with interest rates." Meanwhile, during the COVID-19 pandemic, countries worldwide (particularly developed countries) responded with significant monetary easing as a preventive measure against economic risks involving employment and trade. Liquidity remained high in financial markets around the world as a result, which led to higher wages, prices, and interest rates worldwide, and supported significant stock market gains. In addition, the emergence of certain geopolitical risks has exacerbated inflation while encouraging unstable resource prices and opaque monetary policies.

In this context, ORIX announced its current medium-term strategy in May 2022. Anticipating a rebound in demand after the COVID-19 pandemic and a global economic recovery, we committed to a strategic focus on expanding in our operations and investments while endeavoring to grow our asset management business. While we subsequently lowered our target for net income slightly to address uncertainties in the operating environment, it reached a record high in the fiscal year ended March 2024. In fact, ORIX has grown net income at an average annual rate of 11% or higher over the 11 fiscal years

ended March 2014 through March 2024.

Comparing the composition of ORIX Group's segment profits with our initial outlook, profits have been very solid in inbound-related businesses, and have in fact rebounded more than expected. We have also been steadily executing our capital recycling strategy. In businesses outside Japan, however, we have been much more selective in taking on risk in Europe, the United States, China, and other areas, and in a number of businesses, we have growth in our portfolio in line with global changes.

However, despite significant changes and extended uncertainty in the external business climate, ORIX Group's diversified portfolio has enabled it to flexibly compensate for environmental changes in each segment, with positives more than offsetting negatives. As a result, the Group has increased net income.

## Q: What are ORIX Group's fundamental business strategies?

**Inoue:** The fundamental business strategies that will be most relevant for ORIX in the future will remain the same: (1) grow our core businesses; (2) continue efficient portfolio management through capital recycling; (3) flexibly expand our global business; and (4) build out our asset management business.

Growing our core businesses is priority one. Over the past 10 years, ORIX Group's net income has increased by 1.9 times, and its total our our asset have increased by 1.8 times. We credit this to our focus on growing our core businesses, which is central to how we create value. When we grow our core businesses, we may launch

new businesses ourselves, such as was the case with our renewable energy business, or prioritize time and bring promising companies into the Group through M&A. Regardless of the method, our goal is to establish new core businesses that can become the foundation for our growth over the medium-to-long term.

In February 2024, we acquired the shares of Santoku Senpaku Co., Ltd. in a business succession deal with the founding president's family. Established in 1972, Santoku Senpaku is one of Japan's leading shipowning (ship ownership and leasing) and ship operation management companies, and the founding president built the company in one generation. When the founder's family originally approached us, the price we offered was lower than that of our competitors, and we were initially rejected. However, they reevaluated the experience and expertise ORIX has acquired in the shipping business over the past 50 years, and ultimately selected ORIX as the buyer. Santoku Senpaku owns 67 ships of various types, including car carriers and container ships, and holds licenses for domestic shipping, an area the Japanese government is considering revitalizing. We expect synergies from integrating Santoku Senpaku with ORIX's shipping business, and this deal exemplifies ORIX's strategic decision to develop ship operation into a core Group business.

Core strategy two is capital recycling, and we have not been divesting businesses simply to generate capital gains. The key point of our approach to capital recycling is to identify businesses for which growth as part of the Group has plateaued, but that have the capacity for further growth by leaving the Group and teaming up with the right external partner.

## Business Environment CEO Commentary

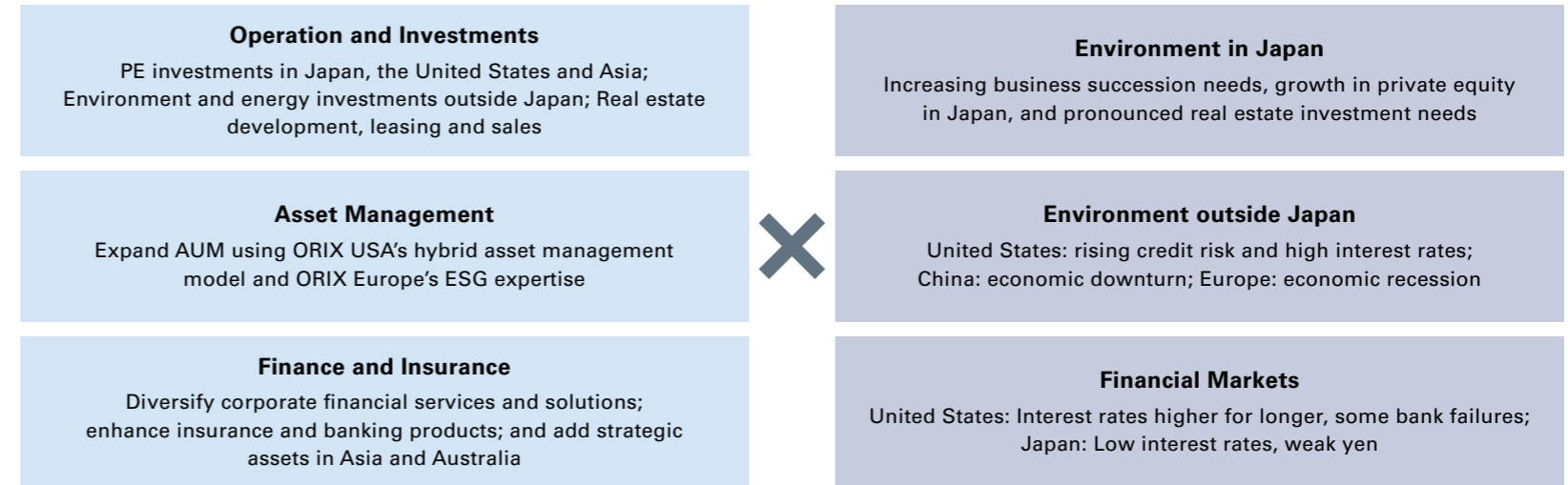
In March 2024, ORIX sold a 66% stake in ORIX Credit, a consolidated subsidiary, to NTT DOCOMO, INC. ORIX Credit was confronted with the question of whether it could continue growing as a wholly owned Group subsidiary given advances in financial technology and significant changes in customer demographics and needs. ORIX Credit then proactively compared strategic options and determined that NTT DOCOMO was the best partner to accelerate growth in the future because of its strength in IT and digital usage, and its massive customer base. ORIX supported our subsidiary's decision.

Our capital recycling strategy is not a temporary, one-off thing. In fact, the Investment and Credit Committee carefully considers exit strategy before the investment is made as part of the initial discussion for any new investment, and the committee also has the shared understanding that no part of the portfolio is off limits. This results in a highly reproducible strategy. In particular, PE Investment, Real Estate, and ORIX USA are at the center of Group strategy.

Core strategy three, flexibly expand our global business, and core strategy four, build out our asset management business, are in fact largely interrelated in many areas. At ORIX, single business units have typically not created core businesses. Rather, we have a culture of building better core businesses by having multiple business and administrative units bring together human resources, expertise, and ideas across unit boundaries. We take this approach because we believe that collaborating with other units and repeatedly discussing and examining issues lead to a fusion of knowledge that will generate flexible ideas and result in the launch of core businesses with an impact.

Our global business offers enormous potential for future growth, but the investment risk tends to be higher than for businesses in Japan. In addition, institutions such as global investment companies and sovereign funds have access to vast amounts of capital, and competing through balance sheet expansion is a strategic dead-end for ORIX. The

### Medium-term Outlook (Excerpt from May 2022 Presentation Materials) and Current Environment



key for us is to control risk and generate asset-light growth.

We are targeting global expansion in three regions: the United States, Europe, and Asia. Despite some uncertainties such as high interest rates and the upcoming presidential election, the United States remains the world's largest economic power and has maintained strong growth. The United States is essential for our global expansion, so we will execute our business strategies while continuing to enhance our risk management capabilities. In Europe, we need to execute our expansion strategy with a sustainability perspective rather than simply rolling out the businesses ORIX has developed thus far. We will therefore selectively emphasize asset management, renewable energy, and the aircraft business.

Asia is highly sensitive to macroeconomic factors such as downturns

in the Chinese economy and currency depreciation, but it also has the potential for higher growth rates than Japan. We will operate flexibly while carefully assessing risks and opportunities by country.

ORIX USA oversees operations in the United States, while ORIX Europe oversees operations in Europe. We have offices in China, Hong Kong, and Taiwan to serve Greater China, and offices in other countries in Asia overseen by their hub in Tokyo, but simply having an office is meaningless. We are only able to operate globally when the three regional headquarters and local subsidiaries in each country develop practical operating policies and business plans, localize them, and adapt them to the markets they serve. ORIX must therefore share its corporate culture and strengths Group-wide and globally while collaborating in specific deals and business strategies.

## Business Environment CEO Commentary

### Q: What were the reasoning and strategy behind starting to disclose information in three categories?

**Inoue:** Because some feedback has indicated that ORIX Group can be difficult to understand, we are trying to remedy that. Differentiating operations from investments is not always simple, but for now, I would like to explain our strategy using the categories in the table below.

#### Finance

- To promote the technological capabilities and expertise of our clients in all areas of business, we will maximize the deployment of ORIX Group's financial knowledge, experience, and network to help our clients generate growth and succeed in the future.

- We will be a hub for open innovation, offering strategic investment opportunities in business succession deals for small and medium-sized enterprises as well as a wide array of financial services including cross-selling. Supporting efforts to achieve carbon neutrality, industrial development and innovation, and circular economies will drive profitability and growth in our finance business.

#### Operation

- An ORIX strength is its lack of restrictions in its business areas. The Group ventures into areas where it can create and grow businesses that deploy its well-developed expertise in financial services.
- If we determine that a company we acquire via private equity, business succession, carve-out, or venture capital is capable of

operating independently, we will convert our pure investment into a strategic investment.

- Our basic principles for venturing into a businesses area are as follows:
  - Contribute to improving the target company's business capabilities
  - Create a sustainable environment
  - Realize a society in which all stakeholders are satisfied
  - Comply with laws and regulations, adhere to social norms, and ensure fairness and transparency

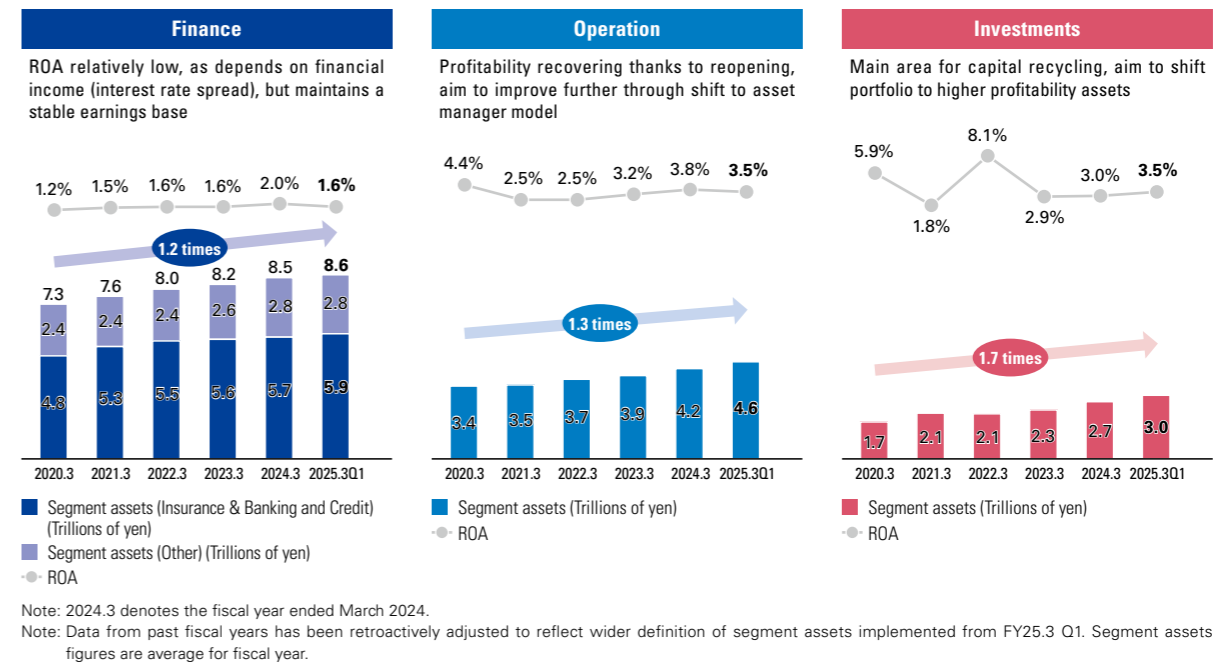
#### Investments

- Contribute to the growth of companies and ultimately increase their value through strategic and pure investments via methods including private equity, business succession, carve-outs, and venture capital.

### Matrix of Segments and the Three Categories

		Three Categories		
		Finance Recurring earnings, interest rate spread is source of income	Operation All aspects of operation, including onsite	Investments Main area for capital recycling
Segments	Corporate Financial Services and Maintenance Leasing	Corporate Financial Services (Financing business)	Auto, Rentec	Corporate Financial Services (Business succession, etc.)
	Real Estate		Real estate facility operations, asset management, DAIKYO, MICE-IR	Real estate development and investment
	PE Investment and Concession		Airport concessions	Domestic PE
	Environment and Energy		Mega solar, power retailing, Elawan	Greenko, Ormat
	Insurance	Life insurance		
	Banking and Credit	Banking		Credit
	Aircraft and Ships	Ship financing	Aircraft leasing, Santoku Senpaku	Avolon, Ship investment
	ORIX USA	Financing businesses	Asset management business (Lument, NXT, BFIM)	U.S. PE
	ORIX Europe		Robeco Group	
	Asia and Australia	Financing businesses	Asset management business	Asia (investment)

### Three Categories: ROA and Assets



## Business Environment CEO Commentary

- Maintain a position as a unique buyout company by leveraging ORIX's network to build sales networks for portfolio companies' new products.
- Currently, ORIX funds investments primarily using its corporate credit lines and non-recourse loans based on the target company's enterprise value. In future we will broaden our strategy to effectively employ external funding from assets under management (AUM).
- Aim to increase ORIX Group's AUM, including REITs to over ¥100 trillion as quickly as possible.
- Promote alternative investments outside of Japan.

### Q: What are your initiatives for the corporate functions?

**Inoue:** We consider each deal from every angle, such as the availability of people within ORIX who can manage it, the relative ability to grow on a standalone basis assuming no synergies with ORIX, and how we can add value. Furthermore, senior management – myself included – do not consider deals with a top-down approach. Instead, ORIX employs a bottom-up approach that empowers front-line employees to autonomously find new businesses and deals, discuss them face-to-face with the management team, and ultimately decide whether the project is a go or not. Therefore, all corporate functions from legal, compliance, risk management, IT and cybersecurity, audit, financial accounting, public relations, human resources, and general affairs

need to be broadly based to accommodate in a timely manner this bottom-up style. In addition, each function must be Group-wide and globally effective in the four regions of Japan, the United States, Europe, and Asia and Greater China to ensure sustainable growth. ORIX is therefore strengthening its corporate functions by both developing young talent and acquiring specialized talent.

### Q: What is ORIX's position in society?

**Inoue:** ORIX was taking the approach of contributing to society through its business activities long before sustainability was even a topic of discussion. Although ORIX has a strong business-to-business (B2B) image, we are also involved in society in the business-to-business-to-consumer (B2B2C) format, so respecting societal values is essential for us. For example, ORIX manages one of the only 12 professional baseball teams in Japan along with a stadium, and we are able to engage in this business thanks to the support of the local community and the fans. The team and its value have continued to develop and grow throughout its history. The ORIX Buffaloes have won the Japan Series twice in the more than three decades since ORIX acquired it in 1988. I believe it is essential for the region and for society that the team continues to grow while respecting its history. I took over as team owner about a year ago in January 2023, and I often think about what I can do as the owner.



Photo courtesy Hochi Shimbun

# Medium-term Outlook

## Medium-term Outlook (Three-year Plan)

In May 2022, ORIX announced its Medium-term Outlook, a three-year plan through March 2025. The COVID-19 pandemic that began in 2019 caused ORIX's profits to decrease for two consecutive fiscal years. However, net income rebounded to ¥300.0 billion in the fiscal year ended March 2022, so the three-year plan targeted higher net income of over ¥400.0 billion. At that time, we expected the Operation and Investments categories to drive growth during the three-year plan, including growth from PE Investment, Environment and Energy, and Real Estate. We also forecasted expansion in the asset management business in the United States and Europe, along with recovery in businesses impacted by the pandemic, including Aircraft and Ships, airport concessions, and real estate facilities operations.

The reality is that around the world, geopolitical risks have increased, and inflation and high interest rates have persisted for an extended period. This has challenged our businesses outside Japan, particularly in the United States, and performance in the fiscal year ending March 2023 for each segment outside Japan fell short of our initial plan. At the same time, inbound tourism-related businesses have recovered strongly from the COVID-19 pandemic, and financial businesses in Japan such as Banking and Insurance have contributed steadily to profits. As a result, we posted net income of ¥290.3 billion (after adjusting for changes to accounting standards) for the fiscal year ended March 2023, and achieved record high net income of ¥346.1 billion and ROE of 9.2% in the fiscal year ended March 2024. Our diversified business portfolio is one of ORIX's strengths, and we demonstrated its effectiveness despite an extremely unpredictable business environment.

Another ORIX strength is the ability to generate growth from our portfolio as a whole, while rotating profit drivers according to market conditions. Our targets for net income and ROE for the fiscal year ending March 2025, the final year of our Medium-term Outlook, are ¥390.0 billion and 9.6%, respectively. We will continue to manage our business with a commitment to the ¥400.0 billion target for net income in our three-year plan, and we intend to grow it to the next level after achieving this goal.

## Results for the Fiscal Year Ended March 2024

Net income for the fiscal year ended March 2024 increased 19% year over year to ¥346.1 billion, a record for ORIX, and ROE rose to 9.2%. Total segment profits increased 25% year over year to ¥561.5 billion.

Profits from businesses outside Japan decreased ¥16.4 billion year over year. Profits fell significantly at ORIX USA and ORIX Europe compared with the previous fiscal year, reflecting increased funding costs as U.S. dollar and euro interest rates remained high, and a more conservative approach to executing new deals in the United States as a result of more rigorous risk management. At the same time, profits increased in Aircraft and Ships due to a recovery in the aircraft leasing market. New investments included the business succession support deal for leading Japanese shipowner Santoku Senpaku and the purchase of aircraft, while we also saw growth in new business in Asia and Australia.

Segment profits from businesses in Japan increased by ¥129.4 billion year over year. The real estate facilities operations business returned to profitability as it benefitted from a surge in inbound tourism as the number of foreign visitors to Japan exceeded pre-COVID levels, and concession profits also rose. Investment income in the Insurance business also grew significantly. Capital recycling is a strategic focus for ORIX Group, and we accelerated it significantly, primarily in Japan. New investments included a limited partnership (LP) investment in and participation in mezzanine financing to Toshiba. Asset sales included the sale of two PE investments in Japan, and the sale of a stake in ORIX Credit to NTT Docomo, resulting in the establishment of a joint venture. The resulting investment and valuation gains increased profits in our domestic businesses.

In and outside Japan, new investments totaled ¥620.0 billion, exits from existing investments totaled ¥520.0 billion, and capital gains totaled ¥150.0 billion.

## Medium-term Outlook (Three-year Plan)

	Medium-term Outlook (Three-year Plan)					
	2022.3	2023.3		2024.3		2025.3
	Actual	Forecast	Actual	Forecast	Actual	Forecast
Net income (Billions of yen)	317.4	250.0	290.3	330.0	346.1	390.0
EPS (¥)	264	—	246	285	299	341
DPS (¥)	85.6	85.6	85.6	94.0	98.6	133.2
ROE (%)	10.0	7.5	8.5	9.0	9.2	9.6
ROA (%)	2.3	—	2.0	—	2.2	2.4
Credit rating	Maintained Single A worldwide			Moody's: A3 (Stable); Fitch: A- (Stable)		
Operating environment	COVID-19 pandemic subsides Russia-Ukraine conflict starts Inflation and interest rate hikes (USD & EUR) Derisking worldwide		Inbound tourism recovery starts Extended conflicts, and rate hikes (USD & EUR) Foreign capital inflows shift into Japan Recession concerns in U.S., E.U., & China		Inbound tourism exceeds pre-COVID levels In the U.S., increased credit risk and prolonged high interest rates Start to Expo 2025 approaches, MICE-IR investment scales up Economic downturn in China and recession in Europe	

Note: 2024.3 denotes the fiscal year ended March 2024.

## Medium-term Outlook

### Targets for the Fiscal Year Ending March 2025

Our net income target for the fiscal year ending March 2025 is ¥390.0 billion, which would be a record high for a second consecutive fiscal year. We have also set a nearly double-digit ROE target of 9.6%.

ORIX has maintained a stable earnings base in the Finance category while working to improve profitability in the Operation and Investments categories by expanding the asset management business and recycling capital. We will capitalize upon our well-developed management base and expertise to accelerate growth in each of our three categories from the fiscal year ending March 2025 onward.

In the Finance category, we are targeting a ¥20.3 billion increase in profits, excluding some investment gains and other items from the previous fiscal year. Since the Bank of Japan introduced its negative interest rate policy in 2016, lending-related businesses in Japan have become comparatively less attractive than other businesses. However, with the outlook that yen interest rates will rise, we expect an increase in lending and leasing income, as well as investment income in the life insurance business. In the United States, where dollar interest rates

remain high, we will carefully manage our portfolio while closely monitoring credit costs. However, if interest rates are cut, we expect origination volumes to recover and contribute to increased earnings, mainly in the private credit and real estate financing businesses.

In the Operation category, we are targeting an increase in profits to ¥240.6 billion. With the number of foreign visitors to Japan already exceeding pre-COVID levels, we aim to increase profits from our inn and hotel facility operations and concession businesses, which have been a focus since before the COVID-19 pandemic. In the concession business, we also expect to see increased revenue from the Osaka-Kansai Expo to be held in 2025.

We expect the aircraft leasing business to grow because of solid passenger demand. We also expect the asset management business to continue growing steadily, with the Robeco Group's AUM reaching an all-time high.

In the Investments category, we are targeting an increase in profits to ¥186.4 billion. We will recycle capital making full use of the Group's network in a wide variety of fields, including private equity, carve-outs, business succession, and venture capital.

To date, in many cases we have made PE investments in private

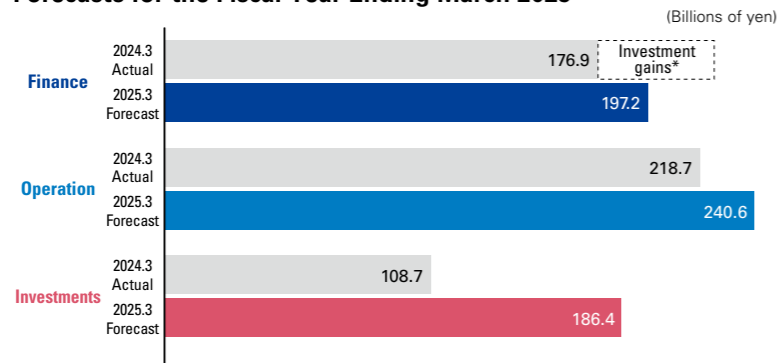
companies, thus emphasizing the private market. Many of those investments have been business succession support deals, where we invested in founder owned and run companies. Demand remains high in this market and we intend to continue our approach in it.

At the same time, we will also focus on carve-out projects with listed companies. Cases in which a corporation divests a component of its operations have increased, and we intend to deploy our well-developed expertise in PE investment in such projects in the future.

Carve-outs and other large-scale investments are gaining momentum, but ORIX's capacity to deploy internal capital resources to fund these stakes is not limitless. Pivoting to asset management will therefore be an important theme in the medium term. Our goal is to deploy our experience in managing various tangible assets and extensive financial knowledge to expand AUM from ¥69 trillion as of March 31, 2024 to ¥100 trillion as quickly as possible.

For the fiscal year ending March 2025, we are targeting new investments totaling ¥500.0 billion to ¥750.0 billion, exits from existing investments totaling ¥520.0 billion to ¥660.0 billion, and capital gains totaling ¥150.0 to ¥200.0 billion.

### Forecasts for the Fiscal Year Ending March 2025



	2025.3	(2024.3)
Total segment profits	624.2	(561.5)
Pre-tax profit	553.7	(470.0)
Net income	390.0	(346.1)

\* In the fourth quarter of the fiscal year ended March 2024, we recorded investment gains of ¥57.2 billion on the transfer of 66% of shares in ORIX Credit.

### Capital Gains and Pipeline

	2024.3 Actual			2025.3 Forecast*2		
	Real Estate	PE Investment (Domestic PE)	Other	Real Estate	PE Investment (Domestic PE)	Other
<b>Exits</b>	<b>Capital Gains*1</b> <b>¥35.0 billion</b> Logistics facilities, condominiums, conference centers, others	<b>¥20.0 billion</b> Primagest, others	<b>¥96.0 billion</b> ORIX Credit, Greater China, U.S., others	<b>Capital Gains*1</b> <b>¥150.0 billion-¥200.0 billion</b>		
	<b>Cash In</b>	<b>¥520.0 billion</b>		<b>Cash In</b>	<b>¥520.0 billion-¥660.0 billion</b>	
<b>New investments</b>	<b>Cash Out</b> <b>¥110.0 billion</b> Logistics facilities, condominiums, office buildings, others	<b>↓</b> <b>¥210.0 billion</b> Toshiba, others	<b>¥300.0 billion</b> Santoku Senpaku, aircraft, overseas renewable energy, others	<b>Cash Out</b> <b>↓</b> <b>¥500.0 billion-¥750.0 billion</b>		
				<b>MICE-IR</b>		
				<ul style="list-style-type: none"> <li>• Concluded agreement with minority shareholders, mainly Kansai companies</li> <li>• Concluded financing agreement with consortium of lenders</li> </ul>		

\*1 Capital gains are the amount of profits recorded from exits (less book value). Data for 2024.3 actual results and 2025.3 forecast do not include impairments.

\*2 Aggregate targets calculated from specific projects currently under consideration.

Note: 2024.3 denotes the fiscal year ended March 2024.

# Financial Strategy and Capital Policy

## Capital and Debt Control

Since the global financial crisis of 2008, ORIX has pivoted its businesses from the Finance category to the Operation and Investments categories. As of March 31, 2024, ORIX had assets of ¥8.5 trillion in Finance, or ¥2.8 trillion excluding Banking and Insurance; ¥4.2 trillion in Operation; and ¥2.7 trillion in Investments. The debt-to-equity ratio excluding deposits was 1.6 times overall. The process of pivoting to Operation and Investments has changed the risks inherent in our assets and businesses, and our debt-to-equity ratio has been below 2.0 times since the fiscal year ended March 2015. We do not necessarily believe that lower financial leverage is better. Rather, we believe we must control leverage at an appropriate level by being conscious of the cost of capital while ensuring financial soundness.

With this mindset, 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. Deals such as the LP investment in Toshiba resulted in an employed capital ratio of 93% as of March 31, 2024. We have a policy of aggressively taking risks when attractive investment opportunities

that are aligned with our growth strategy arise. At the same time, we also sell assets as part of capital recycling, but the employed capital ratio fluctuates depending on the timing of these deals. We do not believe that the employed capital ratio should have an upper limit of 100%, and we are committed to maintaining sufficient shareholders' equity by simulating the impact of each deal and the overall outlook, and by communicating with credit rating agencies as necessary. We will continue to execute investments with high return on capital while giving due consideration to the employed capital ratio.

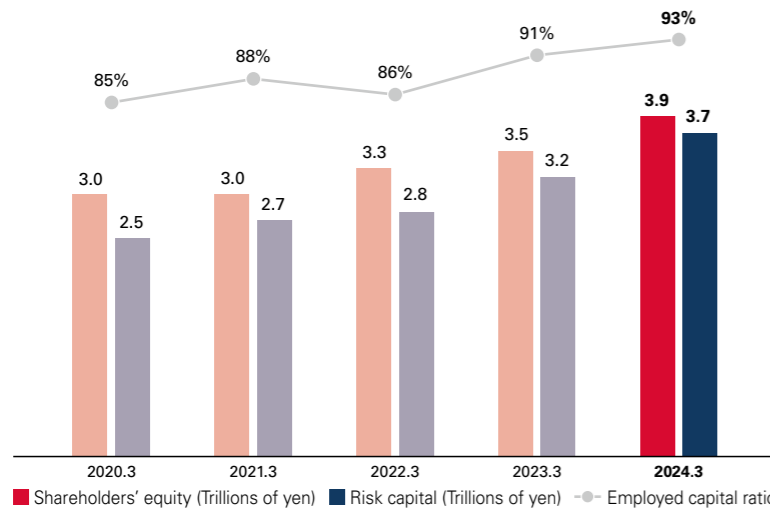
ORIX Group businesses are exposed to interest rate and exchange rate fluctuation risks. We use asset-liability management (ALM) to ensure that interest and exchange rates will not have a significant impact on our business activities and financial position even if they fluctuate significantly. Currently, the market is signaling a rise in JPY interest rates, continued high USD and EUR interest rates, and ongoing JPY depreciation and USD appreciation. We will appropriately control the risks in this or any other environment through means including flexible management of risk hedges so that we can make appropriate investments outside Japan.

## Capital Costs

To reflect this approach to cost of capital in building its portfolio, ORIX objectively quantifies profitability by using the difference between return on invested capital (ROIC) and weighted-average cost of capital (WACC), or ROIC spread, calculated based on the capital structure required in each business unit. For business units with a negative ROIC spread, we will consider future business plans and the prospect of improvement in profitability. We also consider the cost of capital when making investment and exit decisions for individual large-scale projects. We are committed to flexible management that helps us take intelligent risks, and we always reflect market trends in calculating the WACC for each business unit to avoid the trap of overly standardized management.

Our business portfolio has evolved to enable stable growth that is well balanced among the Finance, Operation, and Investments categories, and as it has done so our real cost of capital has decreased. We have also taken action to increase the predictability of investment gains by disclosing actual data and forecasts for cash used in new investments, cash provided by asset sales, and capital gains since the fiscal year ended March 2024.

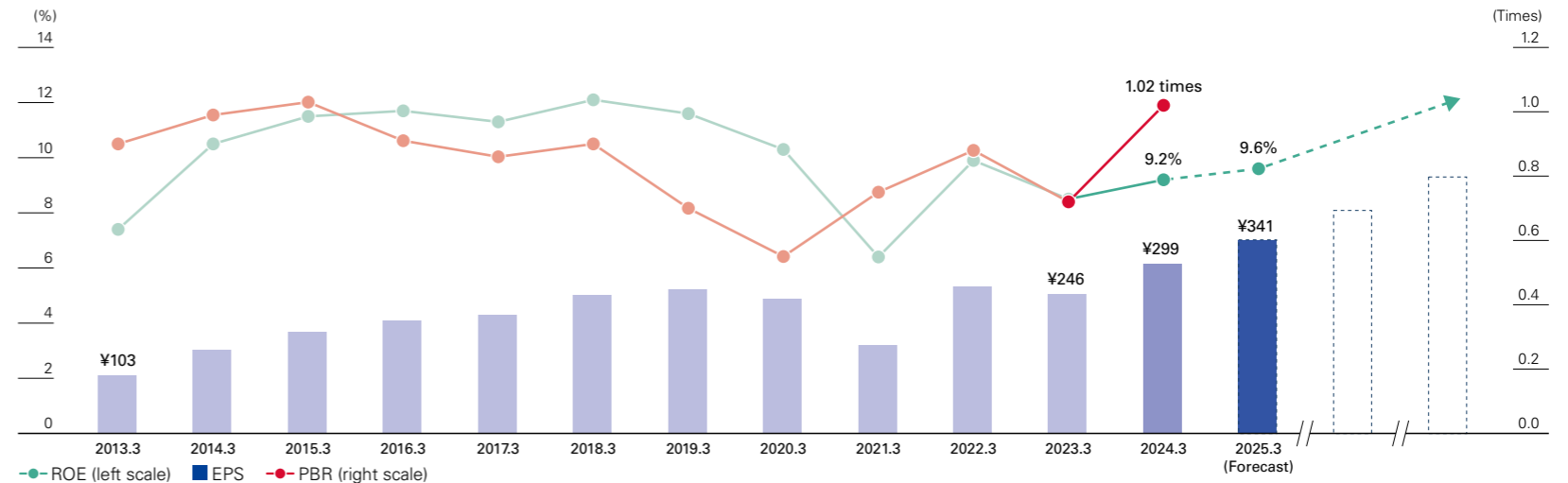
### Shareholders' Equity, Risk Capital, and Employed Capital Ratio\*



\* Employed capital ratio is the ratio of risk capital to shareholders' equity. ORIX calculates risk capital based on historical maximum decrease for all assets, assuming a single A credit rating.

Note: 2024.3 denotes the fiscal year ended March 2024.

### ROE, EPS, and PBR



Note: ROE and EPS for the fiscal year ending March 2025 are predicated on net income of ¥390.0 billion.



## Financial Strategy and Capital Policy

### ROE and PBR

Historically, our ROE and price book-value ratio (PBR) have been strongly correlated. We are not satisfied with our recent PBR of around 1.0 times, and have the goal of increasing it above 1.0 times by raising ROE to 10% or more as quickly as possible. Our core focus for increasing ROE is on growing net income, but at the same time, we are also monitoring the earnings per share (EPS) growth from continuously buying back ORIX shares with due consideration of capital adequacy.

We remain committed to sufficient disclosure that helps to deepen investor understanding of our diverse business model and earnings outlook.

### Communication with Institutional Investors

The CEO provides leadership for dialogue with shareholders and investors, which is largely carried out by the responsible officers and department. Our two offices in Tokyo and New York held approximately 570 investor meetings during the fiscal year ended March 2024. 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. Shareholder composition was well balanced as of March 31, 2024, with institutional investors outside Japan at just over 40%, institutional investors in Japan at just under 40%, and individual shareholders at just under 20%.

Recently, investors have been asking more questions to deepen their insight into individual businesses and requesting more information about the management of those businesses. We are responding to these requests by proactively creating opportunities for dialogue between our outside directors and institutional investors, and giving timely consideration to planning and holding themed business briefings and tours of our operating facilities.

We are committed to improving corporate value by incorporating the comments and opinions of stakeholders into management.

### Shareholder Returns

For the fiscal year ending March 2025, our basic shareholder return policy is to allocate 39% of net income to dividends, ¥50 billion to share buybacks, and the remainder to internal capital reserves and new investments. We terminated our shareholder benefit program at the end of March 2024 and raised our dividend payout ratio to 39%, which is higher than the average for companies on the Tokyo Stock Exchange's Prime market. Dividends per share for the fiscal year ended March 2024 were ¥98.6, but will increase to ¥133.2 per share for the fiscal year ending March 2025 if we achieve our net income target of ¥390.0 billion.

We view dividends as stable, ongoing shareholder returns, and ORIX has paid dividends that were equal to or greater than the previous fiscal year's dividend for each of the past 13 fiscal years. We have also conducted share buybacks every fiscal year since the fiscal year ended March 2020. As a result, we expect a total return ratio of 52% for the fiscal year ending March 2025, compared to 47% for the fiscal year ended March 2024.

Increasing ROE by growing net income is central to increasing ORIX Group's corporate value. We will deploy capital for new

investments to generate growth without compromising our financial soundness, and will also consider flexible share buybacks if surplus funds are available.

ORIX celebrated its 60th anniversary in April 2024. As always, we are deeply grateful for the understanding and support of our shareholders and investors in the future as it enables us to continue to grow.

#### Dialogue between Outside Directors and Institutional Investors

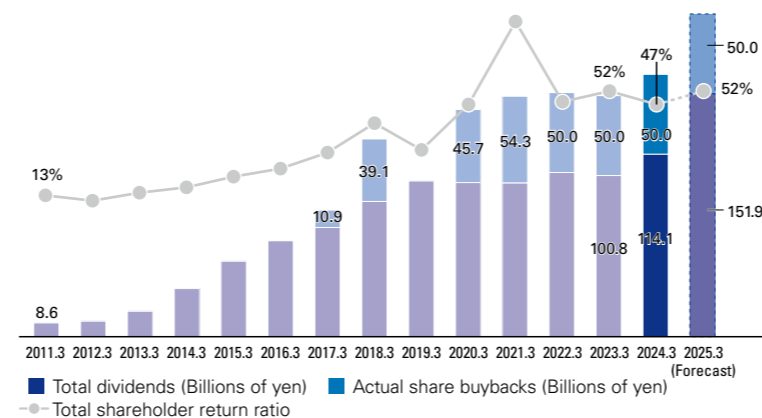
ORIX has addressed growing interest in topics such as governance and succession by hosting two forums for dialogue between outside directors and institutional investors since April 2023.

- Directors Sakie Akiyama and Hiroshi Watanabe, and five institutional investors (November 2023)
- Directors Aiko Sekine and Chikatomo Hodo, and five institutional investors (July 2024)

Regarding specific topics discussed at the Board meetings, the outside directors explained their participation in sustainability-related initiatives and the introduction of the ORIX Group Purpose & Culture. Investors also expressed their expectations for directors to enhance discussions about important management issues such as cost of capital, capital efficiency, and the Medium-term Outlook. The forums also covered the skills required for outside directors to oversee ORIX Group's complex business portfolio. Addressing questions about succession planning for the next generation of management, the outside directors explained that the Nominating Committee is leading the process and that planning is progressing steadily.

The outside directors shared key dialogue and feedback with senior management and all other directors. Investor participants welcomed the opportunity to share their understanding of ORIX's current situation with outside directors through dialogue, and expressed their desire for these meetings to continue in the future. We will continue to provide opportunities for dialogue between investors and management, including outside directors.

#### Share Buybacks and Total Shareholder Return Ratio



Note: Total dividends and total shareholder return ratio for the fiscal year ending March 2025 are predicated on net income of ¥390.0 billion.

Note: 2024.3 denotes the fiscal year ended March 2024.

# Human Capital Management That Accelerates Business Growth

## Drive Constant Innovation and Support Business Growth by Welcoming People with Varied Backgrounds and Combining Diverse Values and Skills



### 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

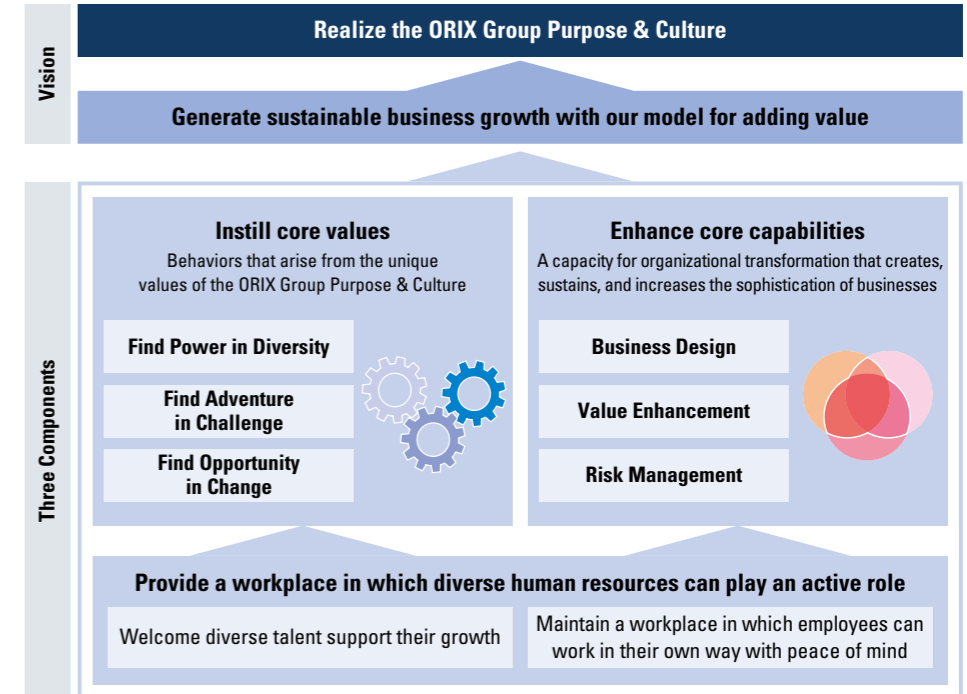
Joined ORIX Asset Management & Loan Services in May 2002, and ORIX in October 2005. Previously worked at Mitsui Trust and Banking Company (currently Sumitomo Mitsui Trust Bank). Engaged in legal affairs at ORIX Asset Management & Loan Services, and in the formation of regional revitalization funds and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

ORIX has deployed its own model for adding value to expand outward from its core financial businesses into neighboring fields, and has grown into a unique corporate group with a diversified business portfolio. We want to continue generating sustainable growth in an array of businesses, so we need to bring together diverse people with their own experience and skills and accelerate the fusion of knowledge that drives innovation.

ORIX's approach to human capital management has the three components: instilling our unique core values that underlie our actions; enhancing our core capabilities, which serve as our capacity for organizational innovation; and providing a workplace in which diverse human resources can play an active role. The objective of our approach is to create new businesses and increase the value of existing operations to generate sustainable business growth.

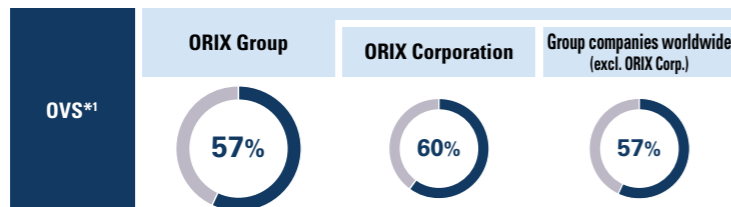
Maximizing the value of our human capital and quickly satisfying various market needs while achieving growth that befits ORIX will help us realize the ORIX Group Purpose & Culture and increase the Group's corporate value.

### The ORIX Model for Human Capital Management



### Instill core values

ORIX Value Score (OVS), which measures the degree to which the ORIX Group Purpose & Culture is reflected in behavior



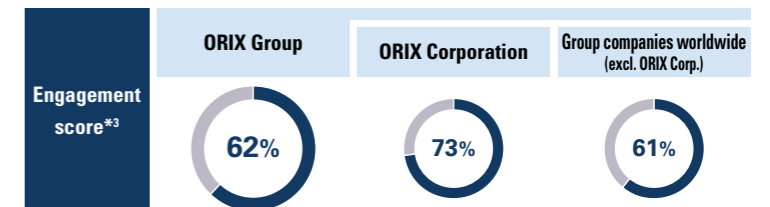
### Enhance core capabilities

Readiness of talent pool available for key roles in each business



### Provide a workplace in which diverse human resources can play an active role

Engagement score that comprehensively measures employee motivation and work environment



\*1 Abbreviation for ORIX Value Score. The percentage of employees who answered affirmatively (highest two points on a five-point scale) to the statement, "The ORIX Group Purpose & Culture is in practice in my workplace" in the annual company engagement survey. (Conducted in April 2024.)

\*2 As of June 2024

\*3 The percentage of employees who answered affirmatively (highest two points on a five-point scale) to the question in the Group's annual engagement survey, "Overall, how satisfied are you with your company at present?" (Conducted in April 2024.)

## Human Capital Management

## Core Values

## Encouraging Behaviors That Arise from the ORIX Group Purpose &amp; Culture

We define the core values of human capital management as realizing sustainable business growth that befits ORIX with behaviors that are aligned with the three values defined in the ORIX Group Purpose & Culture. The three values represent the unique culture that has naturally evolved during ORIX Group's growth to date, and the ORIX Group Purpose Discovery Project stated them anew.

When all ORIX Group employees act in accordance with these three values, new opportunities to find adventure in the challenge of innovation will emerge throughout the Group and drive the creation of new businesses while increasing value in existing operations.

## Human Capital Management Goals for Behaviors Arising from the Three Values

Find Power in Diversity	Find Adventure in Challenge	Find Opportunity in Change
Share ideas and collaborate, explore different perspectives and transcend boundaries.	Strive for originality, and identify opportunities and risks while seeking adventure in new challenges.	Recognize trends from a big-picture perspective, act promptly on signs of change, and find opportunities to evolve.

**Taro Suemitsu**

Electric Power Business  
Department, Wheeling  
Development Team Leader  
Energy and Eco Services  
Headquarters

**Profile**

Joined ORIX in April 2008. Subsequently, broadly engaged in the Environment and Energy segment, including energy service company (ESCO) business proposals for major companies, overseas investments in renewable energy such as wind and hydroelectric power, and new business development. Since 2022, involved in initiatives to commercialize a large-scale power storage station business as a team leader for new business development.

**An Idea from a Failed Ambitious Challenge Led a Diverse Team to Create Japan's First Power Storage Station Business**

Backing the launch of this new business was the recognition that overcoming the instability of renewable energy power generation was a requirement for realizing a decarbonized society. Discussions on this issue began to gain momentum within government and industry around 2020, and ORIX also began to consider new business opportunities Group-wide in the fall of 2020.

Our initial approach was to borrow power from the in-house generation facilities of our customers to smooth out shortfalls and reimburse the power providers with revenue from the sale of the electricity. However, we were unable to differentiate ORIX because we were not using our own assets, so we were unable to achieve the results we had expected. Given this experience, we decided that our competitive advantage lay in using the knowledge and risk management capabilities we have developed over

many years in the renewable energy business and making the most of our own assets. This led us to the idea of investing in and owning energy storage facilities that are basically huge storage batteries.

Project members from throughout the Group came together to make the concept a reality as soon as possible, and we also collaborated with partner companies. This business began operating on a commercial scale in spring 2021. The power storage station business had few precedents in Japan and was a significant challenge, which was just what the project members who came together to launch this new business wanted. They met the challenge by taking full advantage of changes in the environment, such as the rapid drop in battery prices due to the proliferation of electric vehicles and the emergence of a new supply and demand adjustment market.

## Human Capital Management: Core Values

**We are encouraging ORIX Group employees to learn about and identify with the three values articulated in the ORIX Group Purpose & Culture. We plan to implement measures that will enable each employee to naturally act in accordance with the three values.**

**Step 1 Learn about, identify with, and rediscover the three values (2024)**

Understanding the mindset and behavior required for our work creates the foundation for acting in accordance with the three values. We will implement various initiatives so that all employees can learn about the three values and how they emerged, and rediscover the importance of these values in the context of their own work.

**Step 2 Personalize the three values and act in accordance with each value (from 2025)**

Delineating the specific practices required and then actually implementing them naturally leads to the behavioral changes among employees that are necessary for ORIX to generate sustainable business growth. We plan to promote behavioral change by helping to clarify desired practices and by providing opportunities to actually implement them.

**Encouraging People to Learn about, Identify with, and Rediscover the Three Values**

**Cascading Dialogue Sessions for All Employees Worldwide**

We are implementing level-specific group dialogue sessions to ensure that all ORIX Group employees understand the relationship between the three values, achieving our purpose, and business growth. These sessions began in January 2024, and sessions\*<sup>1</sup> for levels from executive officer to general manager have already taken place. In each session, participants verbalize and share ways to implement the ORIX Group Purpose & Culture in each organization and the roles they should play. We will hold sessions for everyone from section managers down to help all Group employees know about, identify with, and rediscover the three values.

\*<sup>1</sup> A total of 543 people from 35 Group companies have participated in the dialogue sessions.

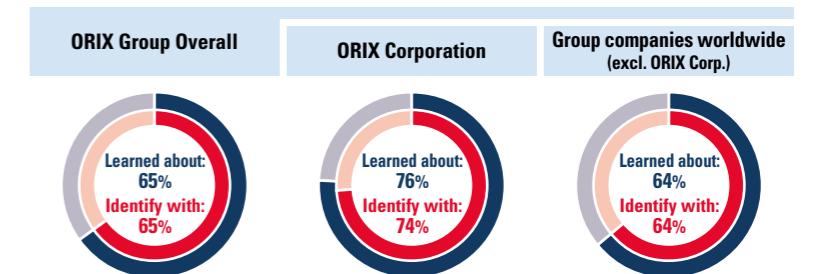
**Measuring Knowledge and Identification Using Value Surveys**

A Group-wide annual survey that began in 2024 contains some questions that provide insights into values to measure the level to which we have permeated our core values, and to measure the degree to which employees learn about and identify with the ORIX

Group Purpose & Culture\*<sup>2</sup>. We are monitoring these insights as indicators linked to the ORIX Value Score.

In the fiscal year ended March 2024, the first year of the survey, ORIX Corporation outperformed Group companies in and outside Japan in learning about and identifying with the core values. However, our goal is to improve scores for the entire Group with Group-wide permeation programs.

\*<sup>2</sup>The percentage of employees who answered affirmatively (highest two points on a five-point scale) to the survey items, "I learned about the ORIX Group Purpose & Culture" and "I identify with the ORIX Group Purpose & Culture".



**Initiatives in Each Region** Dialogue sessions held to promote permeation globally



Human Capital Management

# Core Capabilities

## ORIX's Unique Organizational Transformation Capabilities Empower New Business Creation and Enhance the Value of Existing Operations

### Our Core Capabilities

ORIX's core capabilities are the unique organizational transformation capabilities that come from the expertise gained in growing a diverse business portfolio.

#### Three Core Capabilities

##### Business Design

The ability to create new businesses and services

Generating new business opportunities by anticipating emerging market and customer demands helps ORIX Group grow.

##### Value Enhancement

The ability to increase the value of businesses

Enhancing the quality of services and operations helps ORIX Group increase the value and profitability of existing businesses.

##### Risk Management

The ability to identify and assess business risks

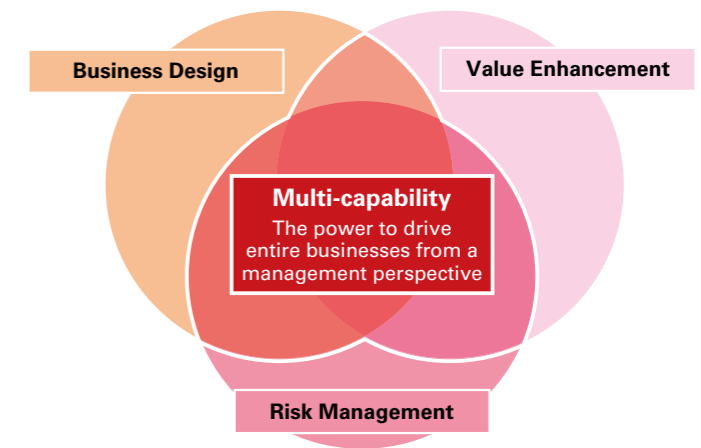
Accurately assessing business risks and returns helps ORIX Group make appropriate decisions for business growth.

### Multi-capability: Combining the Three Core Capabilities

Multi-capability is the combination of the three core capabilities to create the power to drive entire businesses from a management perspective.

Bringing together people with diverse experience and expertise enables us to quickly identify market and customer needs and objectively assess the growth potential of businesses to create new businesses and increase the value of existing operations.

Multi-capability is essential for sustainable Group growth and a source of innovation.



#### Satoshi Hasegawa

Managing Director  
Business Development and  
Investment Group I  
Investment and Operation  
Headquarters

#### Profile

Joined ORIX Corporation in April 1988. Some 20 years of experience in Corporate Financial Services in assistant manager and manager positions. Now involved in M&A project management and as a director of two investee companies improving investee value. Teaches in-house online courses for ORIX employees covering career development.

### Capabilities Gained through Dialogue with Various Executives

I define business design as the ability to bring new customers and businesses to ORIX Group and the ability to encourage relatability with ORIX Group. Value enhancement encompasses the ability to expand and diversify transactions with customers and the ability to expand business without being bound by preconceived notions. Risk management is the ability to combine a perspective that qualitatively identifies market changes with quantitative risk control driven by a financial mindset. These are capabilities that ORIX employees share and have consistently employed to generate growth by transforming market and customer changes into business opportunities.

During my time in Corporate Financial Services, I listened to numerous executives ranging from small, privately owned businesses to listed

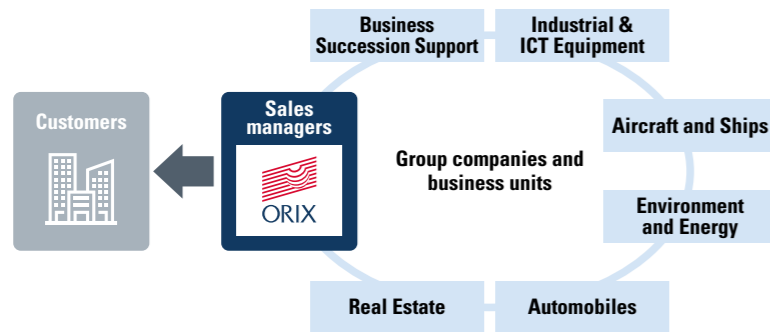
companies discuss their challenges. I always did my best to provide unique solutions by combining the Group's diverse products and services. The challenges that managers face change as markets evolve, so I tried to identify changes in customer needs and trends to create long-term business relationships with ORIX for as many customers as possible.

PE Investment is also committed to proposing innovative growth strategies only ORIX can achieve to potential investees. After extensive discussion with management to understand the potential strengths of an investee, we share growth strategies and management issues from a long-term perspective and collaborate to improve investee value.

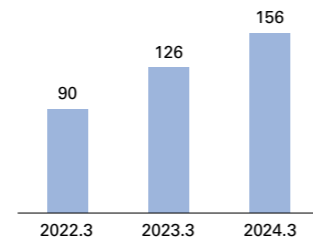
## Human Capital Management: Core Capabilities

**We are implementing a variety of Group-wide measures to simultaneously strengthen our three core capabilities and multi-capability.****CO-WORK: A Unique Concept That Links the Expertise of Various Business Units**

CO-WORK is a unique ORIX concept that involves diverse employees collaborating across companies, units, and departments to maximize their individual expertise and create new value. It has taken root throughout ORIX Group as a culture that allows us to provide the Group's comprehensive strengths to customers.

**Career Challenge System: Opportunities for New Challenges through Transfers**

The Career Challenge System allows employees to directly transfer to their desired business unit, contingent upon mutual agreement. This system allows employees to acquire a wide range of expertise by experiencing various business operations within ORIX Group, thereby supporting employee-driven career development.

**Career Challenge System Applicants**

Note: Actual data from nine Group companies in Japan\*

**Orichare: A New Business Idea Competition for Collaboration with New Members to Plan New Businesses**

Orichare (ORIX Challenge) is a system that enables employees to propose entrepreneurial ideas with members of their choice and directly present them to management. Members can speak with support departments, gain new insights and knowledge, and refine their new business ideas. We plan to upgrade this system to accelerate the commercialization of ideas.

**New Business Ideas**

Ideas	422
Participants	467

Note: Actual data from March 2020 to March 2024

**A Training System to Enhance Skills That Support the Growth and Value of Each Business**

The three core capabilities that support growth and value enhancement in each business include expansive knowledge specific to each business, so strengthening these capabilities requires measures tailored to each business.

ORIX Group implements its own educational programs and skill certification systems that are tailored to the characteristics of each business, and each business unit plans and implements its own training in addition to the training organized by the Human Resources Department. ORIX Group strengthens its three core capabilities by enhancing the expertise of each employee, thereby creating the power to transform businesses from within.

**Unit-specific Training Results (Total of Nine Group Companies in Japan\*)**

Training sessions	576
Training time	111,374 hours

Notes: 1. Actual data from nine Group companies in Japan\*  
2. The ratio of unit-specific training hours to total training hours for the nine Group companies in Japan\* is 33%.

**Succession Management for Systematic Development of Multiple Successors Who Can Drive Businesses**

Until now, ORIX has developed personnel with multi-capability by flexibly repositioning our talent pool to accommodate the expansion and growth of our business segments, thereby exposing people to a variety of work experiences.

Future initiatives will create a system that systematically produces personnel with multi-capability to enable further growth in each business unit.

We will refine the requirements needed to take on key positions, visualize the talent pool of potential successors, and share this information with the management team to develop people with Group-level multi-capability and effectively implement succession management.

At the same time, this process will enable us to select the skills and expertise that we believe will have a particularly positive impact on business growth and visualize the status of these skills and expertise Group-wide. Our objective is a more systematic and effective approach to enhancing each core capability.



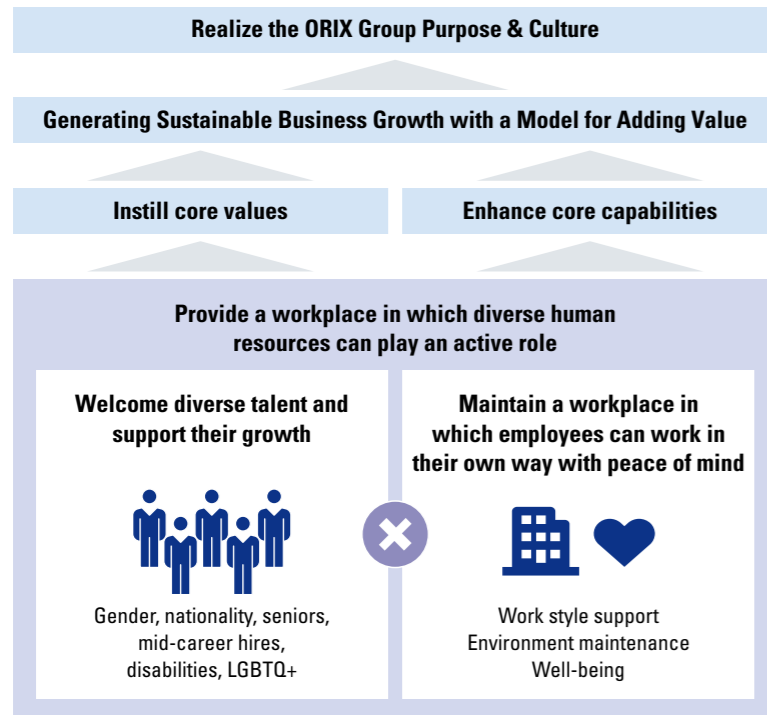
\* The nine Group companies in Japan: ORIX, ORIX Auto, ORIX Rentec, ORIX Asset Management & Loan Services, ORIX Real Estate, ORIX Eco Services, ORIX Life Insurance, ORIX Bank, and ORIX Computer Systems  
Note: 2024.3 denotes the fiscal year ended March 2024.

## Human Capital Management

## Ensuring a Workplace in Which Diverse Human Resources Can Play an Active Role

## Ensuring a Workplace in Which Diverse Human Resources Can Play an Active Role

ORIX has created a series of valuable new businesses by bringing together diverse talent and engaging in ongoing discussions across organizational boundaries. Sustainable business growth requires a workplace in which diverse human resources can play an active role as the basis for instilling core values and enhancing core capabilities. We therefore accept people with diverse backgrounds and values, regardless of characteristics such as gender, nationality, or age, and are committed to maintaining a workplace in which employees can work in their own way with peace of mind.



## Welcome Diverse Talent and Support Their Growth

We believe that actively accepting people with diverse backgrounds and values in areas such as gender, nationality, age, race, and LGBTQ+ status, will support the creation of new value. Based on this belief, we are promoting various measures to accept and respect the diversity of our employees.

## Promote the Active Participation of Women

ORIX has been actively recruiting women since before Japan's Equal Opportunity Law came into effect in 1986. We provide a workplace in which employees can build their careers and participate in decision-making regardless of gender.

## ● Mentoring Program

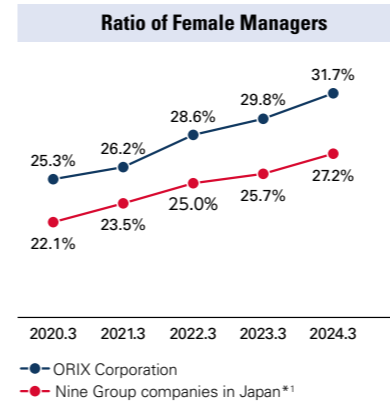
We assign experienced mentors within ORIX to newly appointed female managers and provide support through mentoring to nurture future female leaders.

## ● Inter-industry Study Group

This program is for female managers and provides opportunities for external interaction through social gatherings and group work with female executives and managers from participating companies.

## ● Pay Gap between Men and Women\*2

We compensate employees according to their roles and duties, regardless of gender, and pay is no different for men or women for the same roles and duties. The main reason for the difference in pay among employees is the significant difference in the distribution of men and women in job types.



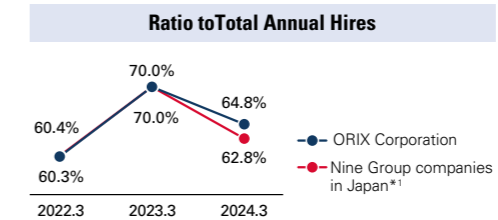
General managers: **95.0%**  
All employees: **62.2%**

Note: FY ended March 2024

## Emphasis on Both Mid-career and New Graduate Hiring

Since day one, ORIX has energetically recruited people with a wide range of experience and expertise in order to acquire the new knowledge necessary to grow its businesses. In recent years, ORIX has been concentrating on recruiting people with expertise in areas such as digital transformation, information security, and business governance, in addition to its focus on the fields of environment and energy and private equity investment.

## Ratio of Mid-career Hires



## Ratio to All Employees\*3



Note: As of March 31, 2024

## Initiatives to Hire New Graduates Outside Japan

Initiatives to grow our businesses outside Japan include hiring new graduates from major universities in China and Taiwan.

## Percentage of Foreign National Graduates Hired\*3

**11.1%**

Eight of the 72 new graduates hired in the fiscal year ended March 2024 are foreign nationals.

## Providing Opportunities for Older Employees

Older employees with diverse experience and expertise who continue to take on new challenges enhance the vitality of the entire organization.

Retirement age of 65

In-house recruiting system for older employees

Pay scale based on job requirements and performance

## Promoting the Active Participation of People with Disabilities

ORIX Business Support Corporation helps each Group company by allocating work duties according to the characteristics of employees with disabilities so they can experience the joy and growth of working and live vibrant lives.

## Employment rate Rate for People with Disabilities\*3

**2.56%**

Statutory employment rate: 2.5%

Note: As of March 31, 2024

\*1 The nine Group companies in Japan: ORIX, ORIX Auto, ORIX Rentec, ORIX Asset Management & Loan Services, ORIX Real Estate, ORIX Eco Services, ORIX Life Insurance, ORIX Bank, and ORIX Computer Systems

\*2 Comparative ratio of the average annual wage of female employees to the average annual wage of male employee

\*3 ORIX Corporation

## Human Capital Management: Ensuring a Workplace in Which Diverse Human Resources Can Play an Active Role

### Maintain a Workplace in Which Employees Can Work in Their Own Way with Peace of Mind

We provide a wide range of support for employees to build and realize their own careers and for maintaining their physical and mental health, so that employees with different values can achieve their best while feeling physically and mentally fulfilled.

#### Initiatives to Support Employees in Realizing Their Own Careers

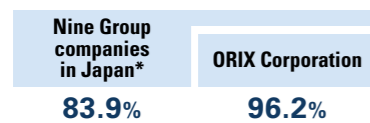
##### ● Support for balancing life events and career

We help both men and women balance their work and family lives with a flexible system for work before and after childbirth, and systems to support childcare and nursing care at levels that exceed statutory requirements. ▶▶▶ [Promoting Diversity, Equity, and Inclusion](#)

##### ● Support for realizing diverse work styles

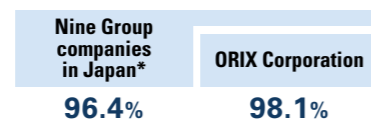
We have established flextime, hourly paid leave, and telecommuting systems and have introduced flexible seating arrangements and satellite offices to allow employees to adopt a flexible work style that suits them. ▶▶▶ [Systems to support diverse work styles](#)

#### Rate of Men Taking Childcare Leave



Note: Fiscal year ended March 2024

#### Rate of Women Returning to Work after Childcare Leave



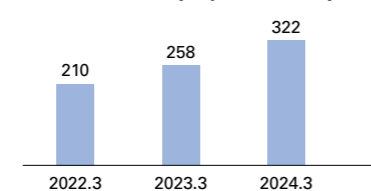
Note: Fiscal year ended March 2024

### Initiatives to Help Employees Independently Design Their Careers

##### ● Internal internship system (from 2017)

This system allows employees to deepen their understanding of various businesses by taking on the challenges of work in other units, thus providing the opportunity to increase career options.

#### Internal Internship System Participants



Note: Data from nine Group companies in Japan\*  
Note: 2024.3 denotes the fiscal year ended March 2024.

##### ● Online courses taught by employees (from the fiscal year ended March 2024)

Employees who are familiar with the operations of their respective business units teach these courses. They cover the work they do and the appeal of their jobs, and also discuss their careers to date and their personal approach to self-improvement. These courses are an opportunity to clarify required skills and self-improvement, and to map out careers.

##### ● Career development program (from the fiscal year ending March 2025)

This program supports the employee-driven career development of our employees. It helps employees map out their own career plans and enact them by providing career training by age group and role. It also offers both internal and external career consultation hotlines that give employees access to career consultants.

▶▶▶ [Human resource development and career development support](#)

### Employee Health Initiatives

We collaborate with the ORIX Group Health Insurance Association to promote health and support disease prevention and lifestyle improvements. ▶▶▶ [Employee Health and Safety](#)

Themes	Initiatives
Preventing the onset or progress of lifestyle-related diseases	Improved health guidance for high-risk individuals and young people
Providing mental health care	Stress checks, level-specific training, and e-learning Appropriate support from in-house industrial physicians and counselors, and an external hotline
Subsidizing health-related expenses	Subsidized complete medical examinations and cafeteria plans

#### Third-party Recognition & Awards



#### Chieko Okamoto

Team Leader  
Osaka Sales Department II  
Corporate Business  
Headquarters

##### Profile

Joined ORIX in April 2003. Took maternity leave after sales positions in Real Estate and Leasing. Returned to work in Corporate Financial Services.

### Balancing Work and Childcare in a Gender-neutral Environment

I took two years of childcare leave when I gave birth. After returning to work, I took advantage of the inter-industry study group program and other opportunities, and increased the amount of time I spent at work and on self-improvement as my child grew. At that time, I had never even considered advancing to team leader, but a supervisor who knew me well opened up that possibility for me and supported my career development, for which I am very grateful.



#### Weiqi Hong

Aviation and Investment Group  
Global Transportation Services  
Headquarters

##### Profile

Joined ORIX in Taiwan as a new graduate in September 2016. Employed in the middle office in the Aviation and Investment Group.

### Making the Most of My Strengths in an Inclusive Work Environment

Training and other kinds of support have enabled me to improve my understanding of ORIX's culture and my Japanese language skills, and I feel that I can employ my language skills to contribute from a different perspective than others. I also feel that different opinions are actively accepted in meetings, regardless of position or nationality. In the future, I would like to gain additional expertise and become a bridge between ORIX and its Group companies outside Japan.

\* The nine Group companies in Japan: ORIX, ORIX Auto, ORIX Rentec, ORIX Asset Management & Loan Services, ORIX Real Estate, ORIX Eco Services, ORIX Life Insurance, ORIX Bank, and ORIX Computer Systems



## Human Capital Management

## Case Study: How ORIX's Human Capital Management Creates Business Opportunities

## Second Founding: A New Chapter of Growth for DHC – ORIX's Commitment to Growing with Investees Engenders Unprecedented Collaboration –

**Q1: Please begin with the background and details of the investment in DHC.**

**Odaka:** Healthcare is a focus for ORIX's PE Investment, which has extensive experience in business succession using M&A. DHC has strengths in health foods and supplements, which are gaining attention in the field of preventive healthcare as Japan's society ages. ORIX saw the appeal of DHC and reached out to it. ORIX was able to make the investment due to its approach of respecting DHC's independence while also providing hands-on support to improve its corporate value. Further, ORIX was able to create a growth story based on ORIX's international network. DHC was an opportunity for us to take on a new challenge with an investment on the scale of ¥300 billion, the largest in our history, by leveraging the knowledge we have gained through healthcare investments and the ability to assess risks that we gained through our experience with failure.

**Q2: What strengths has ORIX demonstrated in the project?**

**Odaka:** One is the CO-WORK concept of creating new business value by fusing the knowledge and expertise of multiple businesses. One of ORIX's greatest strengths is its culture of reducing barriers between business units so everyone can work with the same enthusiasm, not just in the legal and accounting departments, but also in our businesses, such as collaboration with the Greater China Group to establish a foothold for international growth. ORIX has also demonstrated its ability to fuse diverse strengths and find adventure in challenges. ORIX has grown through its business-to-business (B2B) businesses, so project members found adventure in the challenge of deepening their understanding of a business-to-consumer (B2C) business like DHC. Members also fused their diverse knowledge to innovate and find ways to resolve complex challenges. United in our shared commitment to exploring how to grow the company, we

deepened our understanding of the business, assessed the risks we ought to take, and overall had very meaningful conversations despite this being a new field for us. All project members demonstrated initiative in taking on the adventure of a new and unfamiliar challenge.

**Murata and Sato:** In every project, the leader structures an appropriate team. Entrusting junior employees with responsibilities regardless of seniority, the leader works with team members to develop their own areas of expertise, which has given us a sense of personal growth through our work.

**Odaka:** While that is part of ORIX's culture, our No. 1 criterion for making decisions is whether or not ORIX's involvement will enhance the investee's business. We then keep risk management at the front of mind in making decisions. I think that our approach to and enthusiasm for deploying the strengths of DHC to collaboratively grow the business differentiated us from other investment funds and impressed DHC.

**Q3: What does ORIX require to leverage its strengths and succeed in future projects?**

**Murata and Sato:** One key is an environment that supports independent action so ORIX can deploy the initiative of each individual. Open access to the latest information and diverse knowledge, and the unequivocal respect for the opinions of everyone on the team, enable us to fuse diverse insights and expertise to create innovative answers unique to ORIX, no matter how complex the challenge.

**Odaka:** I would say another key is maintaining an environment in which people can take on challenges. I always try to support junior members by making a point of entrusting them with specific areas to give them space to work independently and providing them with the personal connections and knowledge they need to solve problems. I want them to take on various challenges they may not think they can handle so that they can gain the experience to grow and succeed in that adventure.

**Hiroyuki Odaka**

Executive Vice President of DHC

Joined ORIX in April 2004. Currently in PE Investment following positions in Corporate Financial Services and corporate restructuring. Became Executive Vice President of DHC in 2023.

**Hisayoshi Murata**

PE Investment

Joined ORIX in April 2007. Currently in PE Investment following positions in Real Estate and global businesses. Core member of the DHC investment project.

**Masakatsu Sato**

PE Investment

Joined ORIX in April 2008. Currently in PE Investment following positions in Finance and Corporate Financial Services. Core member of the DHC investment project.

# Sustainability Promotion and Governance Structure

ORIX has diverse businesses, and each business has a wide range of sustainability issues that either affect society or are affected by society. For this reason, we divide our approach to sustainability issues into two categories: the corporate (Group-wide) level and the business unit level.

## Status of Recent Initiatives

The Sustainability Committee discussed and reported on items 1 and 2 below. Details of the Sustainability Committee meeting were submitted as a Progress Report on Sustainability Promotion Activities to the Board of Directors, where it was approved.

### 1. Group-wide themes

#### 1) Performance report for the fiscal year ended March 2024

- (1) Progress toward ESG-related key goals
- (2) Revision of ORIX Environmental Policy and ORIX Human Rights Policy
- (3) Disclosure of certain Scope 3 categories
- (4) Progress in promoting sustainability within the Group

#### 2) Focus themes for the fiscal year ending March 2025

- (1) Strengthen supply chain management system. Consider supply chain risk analysis, establishing a code of conduct, and operational methods.
- (2) Consider revising key goals related to ESG.
- (3) Increase opportunities to learn about social and environmental issues and relevant solutions, and utilize this knowledge in business activities. Provide more information about promoting sustainability, both inside and outside the Group.
- (4) Prepare to comply with regulations related to non-financial information disclosure.

- ▶ Pages 41-43 Status of Initiatives to Address ESG-related Material Issues and Key Goals
- ▶ Page 47 Scenario Analysis Based on TCFD Recommendations

### 2. Approach to and KPIs for sustainability in each business unit

We have reviewed the progress of the policy and KPIs set at the beginning of the fiscal year ended March 2024 to establish our approach for the fiscal year ending March 2025 and beyond.

Major initiatives for the fiscal year ended March 2024 were as follows.

- The ratio of next-generation vehicles\* is increasing in the leasing, rental and car sharing businesses. All rental car outlets have completed the conversion to green electricity. (Auto)
- Surveyed suppliers and contractors to structure a procurement system that incorporates ESG considerations. (Rentec)
- Reduced CO<sub>2</sub> emissions from owned properties. Reduced food waste and promoted recycling in operating businesses. (Real Estate Investment and Facilities Operation)
- Expanded renewable energy businesses both in and outside Japan. (Environment and Energy)
- Promoted sustainability finance. (Banking)
- Evaluated, monitored and annually reviewed ESG score. (ORIX USA)
- Reduced CO<sub>2</sub> emissions from investment activities. Robeco registered as a TNFD Early Adopter. (ORIX Europe)

\* Hybrid vehicles (HV), plug-in hybrid vehicles (PHV), electric vehicles (EV), and fuel cell vehicles (FCV).

Approach of Each Business Unit from the Fiscal Year Ending March 2025 Onward

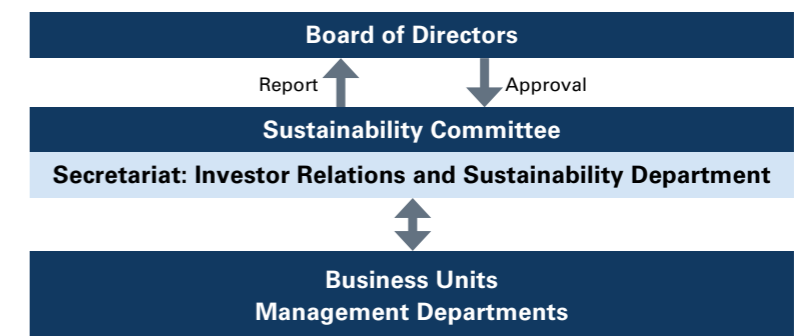
- ▶ Pages 71-84 "Approach to Sustainability" section for each business unit

Examples of Sustainability Initiatives in Each Business Unit

- ▶▶▶ [Contributing to Society through Our Business Activities](#)

## Sustainability Governance Structure

### Sustainability Governance Structure



The Board of Directors supervises and guides sustainability governance.

The Sustainability Committee implements ESG-related material issues and key goals Group-wide. It formulates strategic approaches, KPIs, and action protocols, and the results of its deliberations will then be reported to and approved by the Board of Directors.

Members: Group CEO (chair), people in charge of segments most directly related to ESG

Attended by other participants depending on the agenda

### Role of the Sustainability Committee

1. Discussion of specific measures to achieve goals
2. Discussion of any conflicts arising between short-term earnings and long-term growth
3. Discussion of measures to reduce climate change risk following the Task Force on Climate-related Financial Disclosures (TCFD) framework
4. Sharing of information on Japanese and international developments in corporate sustainability
5. Discussion of matters to report to the Board of Directors

# Status of Initiatives to Address ESG-related Material Issues and Key Goals

## Environment

### Material Issues and Focus Areas to Reduce Climate Change-related Risks

- 1 Set GHG emissions reduction goals.
- 2 Continue to lead in renewable energy investment and production.
- 3 Quantify and reduce our climate change-related risks and continue to implement TCFD recommendations.
- 4 Continue to promote a circular economy and reduce and appropriately manage waste.
- 5 Formulate an exit strategy for existing exposure to high environmental risk business areas and create bright-line exclusion criteria in any new investing or lending.
- 6 Work with our stakeholders to promote a healthier environment through goods and services that help mitigate adverse environmental impacts.

### Key Goals

- Reduce ORIX Group GHG (CO<sub>2</sub>) emissions by 50% compared to the fiscal year ended March 2020 by the end of the fiscal year ending March 2030.
- ORIX Group to achieve net zero GHG (CO<sub>2</sub>) emissions by the end of the fiscal year ending March 2050.
- Reduce ORIX Group's investment and credit balance in GHG (CO<sub>2</sub>) emitting industries\* by 50% compared to the fiscal year ended March 2020 by the end of the fiscal year ending March 2030.
- ORIX Group to achieve a zero investment and credit balance in GHG (CO<sub>2</sub>) emitting industries\* by the end of the fiscal year ending March 2040.

\* Refers to fossil fuel mining, palm oil plantations, and forestry financed by ORIX Group overseas subsidiaries.

### Status of Initiatives to Address Issues and Goals

- In order to achieve our GHG (CO<sub>2</sub>) emissions reduction targets, we are continuing to consider decarbonization measures such as reducing emissions by changing to different fuels at our two coal-biomass co-fired power plants, which accounted for more than 70% of our GHG emissions in the fiscal year ended March 2020.
  - Our Scope 1 and Scope 2 GHG (CO<sub>2</sub>) emissions in the fiscal year ended March 2024 totaled 1,129 thousand tons. This was a decrease of 137 thousand tons, or 10.8%, compared to baseline emissions in the fiscal year ended March 2020.
    - ▶ Page 86 Reducing GHG (CO<sub>2</sub>) Emissions
- We revised our Environmental Policy in February 2024 to address the expansion of ORIX Group's businesses and diversifying environmental issues. Our initiatives involve reducing GHG emissions, energy saving measures and renewable energy investment and production, reducing waste and promoting recycling, resource conservation and green procurement, preventing environmental pollution, conserving water resources, and giving consideration to our impact on biodiversity.
  - ▶▶▶ [Environmental Policy](#)
- Regarding Scope 3 (GHG emissions in the value chain), we have roughly estimated the scale of emissions from the Auto, Aircraft and Ships, and Real Estate businesses, and the power generation and electric power retail business in the Environment and Energy segment, as well as emissions from investees and borrowers (Category 15). We disclose numerical data for Categories 6 and 7.

▶ Page 87 ESG Data (Scope 3)

- We are promoting a business that supports waste recycling and processing, as well as a business that facilitates the reuse, recycling, and proper processing of unwanted goods.
  - ▶▶▶ [Promoting the Circular Economy and Reducing Waste](#)
- Three local subsidiaries in the Asia and Australia segment (in Indonesia, Malaysia, and Australia) aim to reduce their credit balance in industries that have a high environmental impact. As part of this process, they consider both business and regional characteristics when ascertaining which borrowers to target, as well as assessing the possible reduction impact.
  - The credit balance (on a local currency basis) to industries with high environmental impact as of March 31, 2024 decreased compared to the fiscal year ended March 2020 for all three local subsidiaries.



## Status of Initiatives to Address ESG-related Material Issues and Key Goals



# Social

## Material Issues and Focus Areas to Reduce Social Risks, Including Human Rights Risk

- 1 Continue to strengthen our Sustainable Investing and Lending Policy, Code of Conduct, and risk management system to adequately cover new and emerging social risk areas.
- 2 Share a common and agreed respect for fundamental human rights with all of our stakeholders such as support for the UN Universal Declaration of Human Rights, worker health and safety, diversity, equity and inclusion and non-discrimination.
- 3 Continue to improve employee satisfaction by respecting the diversity of our employees and creating an inclusive and equitable working environment that promotes flexible working styles and provides career development support, fair performance review and compensation schemes, and employee health support systems.

## Key Goals

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

## Status of Initiatives to Address Issues and Goals

- We revised the ORIX Human Rights Policy in April 2024 to promote initiatives relevant to respect for human rights throughout all of our business activities. We continue to implement human rights due diligence. For business divisions that appear to have relatively elevated potential for human rights risks, we are conducting fact-finding surveys that encompass stakeholder engagement, and are taking action to prevent and mitigate issues.

We provide training on human rights for employees to raise awareness of human rights and promote initiatives relevant to respect for human rights.

As a remedy system in the event of human rights violations, we have set up a compliance hotline for consultation and reporting that can be used not only by our own employees but also by external parties, and we have announced it on our website.

▶ Page 49 Human Rights

- ORIX aims to structure a sustainable supply chain with its suppliers, and is implementing initiatives such as conducting fair and equitable transactions, reducing environmental impact, and respecting human rights. We have initiated analyses to identify risks and understand current circumstances, with emphasis on business units with many suppliers that are essential to the continuity of our businesses, and that are at risk of negatively impacting human rights or burdening the natural environment because of the nature of their operations. In addition, when selecting or renewing a contractor, our screening process now includes confirmation of compliance with laws and regulations and information on ethical concerns.

▶ Page 48 Supply Chain Management

- We are working to promote the creation of comfortable workplaces where diverse human resources can play an active role, rewarding workplaces where they can demonstrate their abilities and expertise, and workplaces where they can continue to work for a long time in good physical and mental health. We will achieve this through the development of various systems that incorporate the opinions of employees.

▶ Pages 32-39 Human Capital Management

▶▶▶ [Human Resources Strategy to Support Sustainable Growth](#)

- As of March 31, 2024, the ratio of female managers in ORIX Group is 31.7% for ORIX Corporation and 27.2% for our nine domestic Group companies.

- We prohibit investing and lending in projects related to organizations and sectors / business activities that are social risks. We have set a key goal of reducing the balance of investing and lending in business areas with high environmental risks.

▶ Page 49 Sustainable Investing and Lending



## Status of Initiatives to Address ESG-related Material Issues and Key Goals



# Governance

## Material Issues and Focus Areas to Strengthen Governance Based on Transparency, Compliance, and Integrity

- 1 Continue to strengthen the independence of the Board of Directors so that the Board may provide appropriate and effective oversight over the management's business execution from an independent and objective perspective.
- 2 The Group CEO will be responsible for all execution matters including responding to these material issues under the oversight of the Board of Directors.
- 3 Emphasis on client satisfaction and developing and offering sustainable products and services.
- 4 Endeavour to gain and keep the trust of our clients in all of our business areas.
- 5 Promote a strong culture of compliance with all applicable laws and regulations, including paying our fair share of taxes.

## Key Goals

- Outside directors to account for over half of the composition of the ORIX Group Board of Directors by the General Meeting of Shareholders held in June 2023.
- Female directors to account for over 30% of the composition of the ORIX Group Board of Directors by the end of the fiscal year ending March 2030.

## Status of Initiatives to Address Issues and Goals

- We have established a sound and highly transparent corporate governance system. We are also taking the following measures to strengthen our system:
  - Increase the diversity of directors.
  - Evaluate the effectiveness of the Board of Directors and implement an action plan to improve its effectiveness based on the evaluation results.
  - We have introduced a compensation scheme for executive officers that evaluates contributions to business performance as well as medium- to long-term results.
  - We have begun reflecting the status of ESG initiatives in executive compensation, with the aim of encouraging executives to take the initiative in addressing ORIX Group's ESG issues.
    - From the fiscal year ended March 2022, the status of ESG initiatives was added as a qualitative evaluation item for the division performance indicator for annual bonuses for executive officers.
    - From the fiscal year ended March 2024, ORIX Group's progress in achieving ESG-related key goals was added to quantitative evaluation items for the president, senior managing executive officers, and managing executive officers.

▶ Page 54 Corporate Governance

- As of June 2024, the ratio of outside directors is 54.5% (of all 11 directors, 6 are outside directors).
- As of June 2024, the ratio of female directors is 18.1% (of all 11 directors, 2 are female directors).

- We carefully ascertain our customers' intentions, so that they can select the most suitable products and services, and we strive to propose products and services that meet their objectives. In order to provide and recommend products and services that are suitable for customers, we strive to acquire excellent work experience, specialized knowledge, and skills as professionals. Each business unit is committed to providing sustainable products and services.

▶▶▶ [Proper Consideration of Our Customers](#)

▶▶▶ [Contributing to Society through Our Business Activities](#)

- The Code of Conduct stipulates that ORIX employees must "comply at all times with all applicable laws, rules and regulations and ORIX Group policies and rules" and "understand and comply with tax laws, regulations and ORIX Group policies and rules."

▶▶▶ [Tax Policy](#)



# Addressing Climate Change

## Addressing Climate Change

Confronting climate change is a key theme that must be addressed on a global scale. Ongoing global warming in the absence of effective countermeasures will cause drastic climate change that will significantly impact the global environment. Against this backdrop, carbon neutral initiatives to reduce greenhouse gas (GHG) emissions to virtually zero have swiftly been gaining traction worldwide.

ORIX has made addressing climate change one of its material issues, and has stated its intent to proactively promote the renewable energy business, reduce GHG emissions in its own businesses, and comply with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have also set the key goals of reducing ORIX Group GHG (CO<sub>2</sub>) emissions by 50% compared to the fiscal year ended March 2020 by the end of the fiscal year ending March 2030, and achieving net zero emissions by the end of the fiscal year ending March 2050.

ORIX will continue to proactively respond to the risks and opportunities brought about by climate change through its diverse businesses. We will also utilize the TCFD information disclosure framework to strengthen climate change-related governance and risk management through scenario analysis. Based on such measures, we will disclose more specific information on ORIX's climate change initiatives to our stakeholders.

## Information Disclosure Based on TCFD Recommendations

ORIX announced its support for the TCFD in October 2020. In November 2021, we began disclosing information in line with the TCFD information disclosure framework.

▶ Page 46 Information Disclosure Based on TCFD Recommendations

# 1. GHG (CO<sub>2</sub>) Emissions Reduction

## GHG (CO<sub>2</sub>) Emissions Reduction Goals and GHG (CO<sub>2</sub>) Emissions

### • GHG (CO<sub>2</sub>) Emissions Reduction Goals

ORIX has set GHG (CO<sub>2</sub>) emissions reduction goals as follows:

- (1) Reduce GHG (CO<sub>2</sub>) emissions by 50% compared to the fiscal year ended March 2020 by the end of the fiscal year ending March 2030.
- (2) Achieve net zero GHG (CO<sub>2</sub>) emissions by the end of the fiscal year ending March 2050.

### ORIX Group GHG (CO<sub>2</sub>) Emissions (Baseline Emissions) in the Fiscal Year Ended March 2020

(Unit: Thousand tons CO<sub>2</sub>e)

	Emissions	(Scope 1)	(Scope 2)
<b>Environment and Energy segment</b>	<b>1,089</b>	<b>1,069</b>	<b>20</b>
– Two coal-biomass co-fired power plants	941	939	1
<b>Real Estate segment</b>	<b>85</b>	<b>19</b>	<b>66</b>
<b>Total of other segments</b>	<b>93</b>	<b>18</b>	<b>74</b>
<b>Total</b>	<b>1,266</b>	<b>1,107</b>	<b>158</b>

▶▶▶ See [here](#) for details on ORIX Group GHG (CO<sub>2</sub>) emissions (baseline emissions) in the fiscal year ended March 2020.

### • GHG (CO<sub>2</sub>) Emissions

Total Scope 1 and Scope 2 emissions in the fiscal year ended March 2024 were 1,129 thousand tons. Compared to the baseline emissions, this was a decrease of 137 thousand tons. Emissions from the two coal-biomass co-fired power plants amounted to 796 thousand tons, accounting for 70.6% of the total.

### ORIX Group GHG (CO<sub>2</sub>) Emissions

(Unit: Thousand tons CO<sub>2</sub>e)

	FY ended March 2020 (Baseline Emissions)	FY ended March 2024
<b>Scope 1</b>	<b>1,107</b>	<b>991</b>
<b>Scope 2</b>	<b>158</b>	<b>138</b>
<b>Total</b>	<b>1,266</b>	<b>1,129</b>

▶ Page 86 ESG Data ▶▶▶ [Environmental Performance Data](#)

We have roughly estimated the scale of Scope 3 emissions (GHG emissions in the value chain) for the following businesses:

Emissions from Auto, Aircraft and Ships, Real Estate, the power generation and electric power retail business in the Environment and

Energy segment, and investees and borrowers (Category 15).

We disclose numerical data for Categories 6 and 7.

▶ Page 87 ESG Data ▶▶▶ [Environmental Performance Data](#)

## Initiatives to Reduce Emissions

### • Environment and Energy Segment: Coal-biomass Co-fired Power Plants\*<sup>1</sup>

Aiming for a 50% reduction in emissions by the end of the fiscal year ending March 2030, we are considering measures including refitting equipment to move to pure biomass combustion and switching to next generation fuels such as hydrogen and ammonia.

During the fiscal year ended March 2024, we continued to discuss decarbonization, confirmed power generation efficiency and costs for the exclusive use of biomass, considered fuel procurement routes, and conducted interviews with customers.

\*1 Soma Coal-Biomass Power Plant (Soma City, Fukushima Prefecture, started operation in March 2018, with generation capacity of 112 MW), Hibikinada Coal-Biomass Power Plant (Kitakyushu City, Fukuoka Prefecture, started operation in December 2018, with generation capacity of 112 MW).

### • Real Estate Segment

We have formulated a plan to make gradual reductions towards our 50% emissions reduction goal by the fiscal year ending March 2030. Our main reduction initiatives are as follows:

- (1) Make equipment upgrades ahead of schedule at properties we own or operate, and introduce energy-saving equipment, etc.\*<sup>2</sup>
- (2) Adopt renewable energy at properties we own or operate\*<sup>3</sup>
- (3) Use non-fossil certified renewable energy\*<sup>4</sup> and purchase J-credits\*<sup>5</sup>

In the fiscal year ended March 2024, we achieved the target amount of reduction. In the fiscal year ending March 2025, we will maintain initiatives to reduce emissions in stages by conserving energy and introducing power from renewable energy.

\*2 For properties where we have the authority to renovate facilities.

\*3 Install solar panels in logistics facilities developed by ORIX Real Estate, and use renewable energy in those facilities, but if surplus power is generated, supply the environmental value of surplus power to other properties such as office buildings and lodging facilities.

\*4 Appropriate for emissions based on electricity usage, which is difficult to reduce in (1) and (2) above.

\*5 Appropriate for emissions based on usage other than electricity.

## 2. Promoting the Renewable Energy Business

ORIX operates power generation businesses around the world as a global renewable energy company. As of March 31, 2024, our generation capacity of power plants in operation around the world, including Japan, was 4.3 GW\*<sup>1</sup>. Elawan Energy (100% share) and Greenko (approx. 20% share) lead business growth, with Elawan Energy having 11 GW\*<sup>2</sup> and Greenko having 18 GW\*<sup>2</sup> in total generation capacity in operation, under construction, or in development. As of March 2025, we expect to expand the generation capacity of power plants in operation to 6 GW\*<sup>1</sup> (7 GW\*<sup>1</sup> before considering sale). Our goal is to expand capacity to 10 GW\*<sup>1</sup> by March 2030.

Also, in Japan, we are promoting broader adoption of renewable energy through our business of operation, management, and maintenance of power plants that use renewable energy, the energy storage plant business, and the introduction of a third-party ownership model for solar power generation systems.

### CO<sub>2</sub> Avoided Emissions

CO<sub>2</sub> avoided emissions at our renewable energy businesses totaled approximately 4.8 million tons for the fiscal year ended March 2024. The year-over-year increase was approximately 0.1 million tons. This was mainly due to the start of operations of new renewable energy power plants at Elawan Energy.

Breakdown by country, region, and generation type is as shown in the chart below.

#### CO<sub>2</sub> Avoided Emissions through the Renewable Energy Business

(Unit: Thousand tons CO<sub>2</sub>)

	Wind Power	Solar Power	Geothermal Power	Hydro Power	Biomass	Total
India	1,222	608	0	320	0	2,150
Japan	0	446	0	0	252	698
U.S.A.	325	68	243	0	7	644
Others	789	432	42	8	0	1,270
<b>Total</b>	<b>2,336</b>	<b>1,553</b>	<b>285</b>	<b>327</b>	<b>259</b>	<b>4,761</b>

▶ Page 87 ESG Data ▶▶▶ [Environmental Performance Data](#)

\*1 Net figures that take into account our ownership ratio. If the individual project is a joint venture, we also consider the investment ratio.

\*2 Gross figures before taking into account our ownership ratio.

### Example Initiatives

#### ORIX Signs One of Japan's Largest Onsite PPAs with Kansai Airports

ORIX concluded a power purchase agreement (PPA) with Kansai Airports in November 2023. ORIX plans to install solar power generation facilities with a capacity of approximately 23.4 MW, which will be one of the largest onsite facilities in Japan\*, at Kansai International Airport and Osaka International Airport, and begin supplying power to each airport from spring 2025. In this project, ORIX established a special purpose corporation (SPC) to serve as the power generation company that will install and operate solar power generation systems with a total capacity of approximately 22.8 MW at Kansai International Airport and approximately 0.6 MW at Osaka International Airport, for a total of approximately 23.4 MW. The Kansai Airports Group expects that electricity generated on-site at the airports will cover approximately 20% of its annual electricity consumption and reduce annual CO<sub>2</sub> emissions by approximately 12,300 t-CO<sub>2</sub>.

\* According to an ORIX survey



Image of the solar power generation system installed at Osaka International Airport

#### Elawan Executes Corporate PPA for Amazon

Elawan develops and operates wind and solar power plants in 15 countries, mainly in Spain and elsewhere in Europe, as well as in North America and South America. In 2023, it concluded a PPA with Amazon and began supplying electricity from five solar power plants. In addition, from 2025 it plans to supply environmental value along with the phase-in of approximately 160 MW of electricity generated from two wind power plants and four solar power plants under development in Spain.

This will bring the cumulative total of power supplied to Amazon to approximately 340 MW.



Solar power plant in Spain that started supplying Amazon in 2023

### 3. Information Disclosure Based on TCFD Recommendations

#### Information Disclosure Framework / Governance, Strategy, Risk Management, and Metrics and Goals

We disclose climate change-related information in line with the four TCFD pillars, as follows:

##### Governance

###### Board Oversight of Climate-related Risks and Opportunities

The Board of Directors provides leadership and guidance for ORIX Group's sustainability. It oversees climate-related risks and opportunities and determines ESG-related material issues and key goals.

At a meeting in 2024, the Board of Directors heard performance reports for the fiscal year ended March 2024 in the following areas.

- (1) Progress toward ESG-related key goals
- (2) Revision of ORIX Environmental Policy
- (3) Disclosure of certain Scope 3 categories

###### Execution Framework for Assessing and Managing Climate-related Risks and Opportunities

The Group CEO chairs the Sustainability Committee. Committee members include people in charge of segments most directly related to ESG, and other participants will attend as needed so the committee can flexibly accommodate an evolving agenda.

The committee will also call on external experts as necessary.

The Sustainability Committee discusses specific measures to achieve goals as well as conflicts arising between short-term earnings and long-term growth. It also holds discussions on measures to reduce climate change risk based on TCFD recommendations, share information on developments in Japan and internationally that are relevant to sustainability, and discuss matters to report to the Board of Directors.

▶ Page 40 Sustainability Promotion and Governance Structure

##### Strategy

###### Climate-related Risks and Opportunities the Organization Has Identified

Climate-related risks and opportunities include physical risks and opportunities brought about by the increase in natural disasters associated with climate change. They also include transition risks and opportunities associated with the transition to a decarbonized society resulting from more stringent climate-related regulations and changes in corporate and consumer preferences.

We expect the following will materially impact ORIX Group:

###### • Physical Risks and Opportunities

ORIX is exposed to physical risks including higher costs due to business suspension and preventive measures or repairs for damage to operating facilities and offices, higher operating and construction expenses resulting from higher temperatures, higher credit costs from damage to customers, and loss of asset value from damage to investees.

###### • Transition Risks and Opportunities

ORIX is exposed to transition risks including business suspension, loss of asset value, stranded assets due to more stringent regulations, higher costs associated with carbon emissions, higher credit costs due to deterioration in customer performance, and decreased corporate value of high GHG-emission investees. Associated opportunities include increasing demand for renewable energy.

##### Scenario Analysis

Our analysis indicates exposure to a certain extent of risk of financial impact in Real Estate and Environment and Energy, but risks are immaterial in other businesses.

- ▶ Page 47 Scenario Analysis Assumptions
- ▶ Pages 88-91 Results of Analysis

##### Risk Management

When formulating business plans, we collate progress on ESG-related key goals and the policies and KPIs of each business division, report them to the Sustainability Committee, and obtain approval from the Board of Directors. In addition, once every year each business unit holds discussions with the Investor Relations and Sustainability Department and updates the scenario analysis assumptions and results.

##### Metrics and Goals

###### Metrics and Goals Used to Assess and Manage Relevant Climate-related Risks and Opportunities

ORIX identified the following four key goals related to climate:

- Reduce ORIX Group GHG (CO<sub>2</sub>) emissions by 50% by the fiscal year ending March 2030 compared to the fiscal year ended March 2020.
- Reduce ORIX Group GHG (CO<sub>2</sub>) emissions to net zero by the fiscal year ending March 2050.
- Reduce investment in and lending to industries\* that emit GHG (CO<sub>2</sub>) by 50% by the fiscal year ending March 2030 compared to the fiscal year ended March 2020.
- Reduce investment in and lending to industries\* that emit GHG (CO<sub>2</sub>) to zero by the fiscal year ending March 2040.

\* Refers to fossil fuel mining, palm oil plantations, and forestry financed by ORIX Group overseas subsidiaries.

▶ Page 44 GHG (CO<sub>2</sub>) Emissions Reduction

###### Scope 1, 2 and 3 GHG Emissions

▶ Pages 86-87 ESG Data

ORIX Group companies Robeco and ORIX Asset Management also disclose information as per TCFD recommendations. Please refer to their respective reports for further details.

▶▶▶ [Robeco](#) ▶▶▶ [ORIX Asset Management](#)



## Strategy and Scenario Analysis—Assumptions

### 4° C Scenario

The average global temperature at the end of the 21st century is about 4°C higher than preindustrial levels. Government policies of each country in addition to corporate and consumer preferences remain the same. For example, coal use continues, renewable power generation gains limited traction, no full-scale introduction of carbon pricing, demand for energy-saving real estate remains limited, electric vehicles do not become widespread, and the shift away from ownership-based vehicle usage stalls. The physical effects of climate change become apparent and can be felt directly.

Reference scenarios: Transitional: Stated Policies Scenario (STEPS)\*1 (IEA WEO 2023), Physical: SSP\*2 5-8.5 (IPCC AR6)

### 1.5° C Scenario

The average global temperature increase at the end of this century can be kept at 1.5°C compared to preindustrial levels. Aggressive government decarbonization policies move forward, corporate and consumer tastes change, and society shifts. There will be no significant change from the current physical impact of climate change.

Reference scenarios: Transitional: Net Zero Emissions by 2050 (NZE)\*1 (IEA WEO 2023), Physical: SSP\*2 1-1.9 (IPCC AR6)

## Degree of Impact Assessment

In the Environment and Energy business and Real Estate business, we own and operate large facilities including large power plants and hotels and inns, and their GHG emissions have become significant. Our scenario analyses have identified risks corresponding to both the 4°C and 1.5°C scenarios, along with significant opportunities in the 1.5°C scenario.

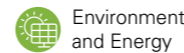
The Auto business and Aircraft and Ships business involve significant GHG emissions from customer use of leased assets, but our scenario analyses identified only limited risk in either scenario. The Finance business and Life Insurance business involve significant GHG emissions from investees and borrowers, but we concluded that the impact of potential risks and opportunities is not material.

Please refer to the scenario analyses on pages 88-91 for more details.

\*1 A scenario presented in *World Energy Outlook 2023*, published by the International Energy Agency (IEA) in 2023.

\*2 Shared Socioeconomic Pathways: Models for estimating temperature increase presented in the *Intergovernmental Panel on Climate Change Sixth Assessment Report* (IPCC AR6). Each SSP is numbered in ascending order, with higher numbers associated with greater estimated temperature increases.

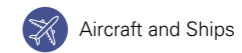
		Risks	Opportunities
4° C Scenario	Acute	<ul style="list-style-type: none"> <li>Supply chain disruptions</li> <li>Damage to real estate, vehicles, aircraft, and ships</li> <li>Falling real estate prices in areas likely to be affected</li> <li>Customers and investees affected</li> <li>Damage to sales offices and business locations</li> </ul>	<ul style="list-style-type: none"> <li>Disaster recovery demand</li> </ul>
	Chronic	<ul style="list-style-type: none"> <li>Reduced solar power generation efficiency</li> <li>Longer construction periods because intense heat disrupts more workdays</li> <li>Decrease in areas available for real estate development</li> <li>Increase in demand for air conditioning</li> </ul>	
1.5° C Scenario		<ul style="list-style-type: none"> <li>Accelerated phase-out of coal-fired power generation</li> <li>Increase in business and operating facility costs</li> <li>Decline in corporate value of investees with significant GHG emissions</li> <li>Higher real estate and ship construction costs due to regulatory compliance</li> <li>Falling prices for used cars with gasoline engines</li> <li>Deteriorating customer performance</li> </ul>	<ul style="list-style-type: none"> <li>Increased investment in renewable energy</li> <li>Increase in demand for energy-efficient real estate</li> <li>Increase in demand for rental cars and car sharing</li> <li>Expansion in investment opportunities in decarbonization businesses</li> </ul>



Life Insurance



ALL All of the above businesses



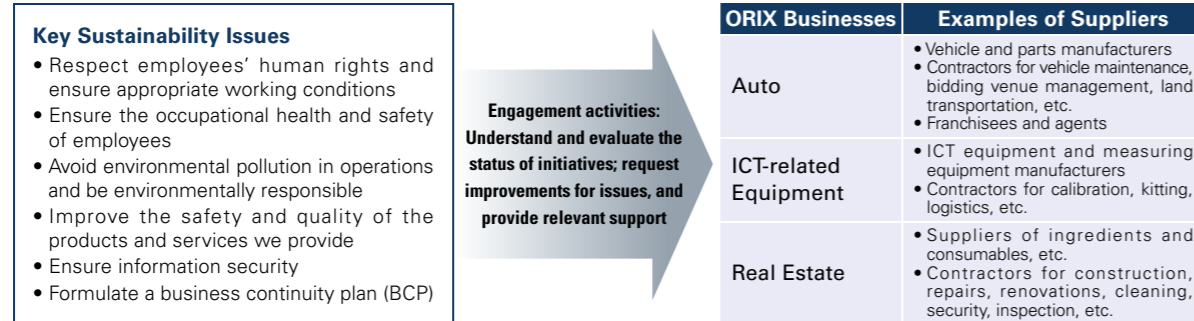
# Supply Chain Management

## Our Approach

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

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

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



## Initiatives

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

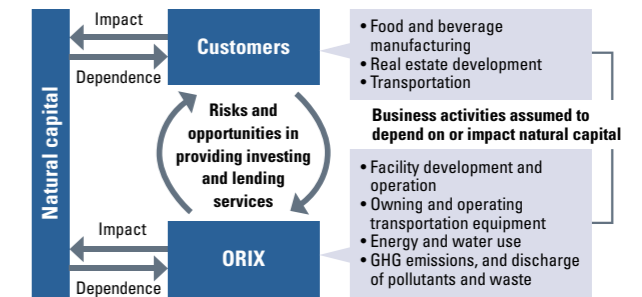
# Biodiversity

## Our Approach

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

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

### The Relationship between Our Business Activities and Natural Capital



## Initiatives for Risk Reduction

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

## Initiatives to Create Business Opportunities

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

# Human Rights

## Our Approach

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

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

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

▶▶▶ [ORIX Human Rights Policy](#)

## Initiatives

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

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

## New and Planned Future Initiatives

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

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

# Sustainable Investing and Lending

## Our Approach

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

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

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

## Initiatives

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

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

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

# Risk Management

## Approach to Risk Management

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

## Risk Management System

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

**Group-wide Risk Management System** (As of June 30, 2024)



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

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

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

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

## Risk Management

## Development of Integrated Risk Management System by Using Risk Dashboards



### Jun Shimamoto

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

#### Profile

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

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

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

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

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

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

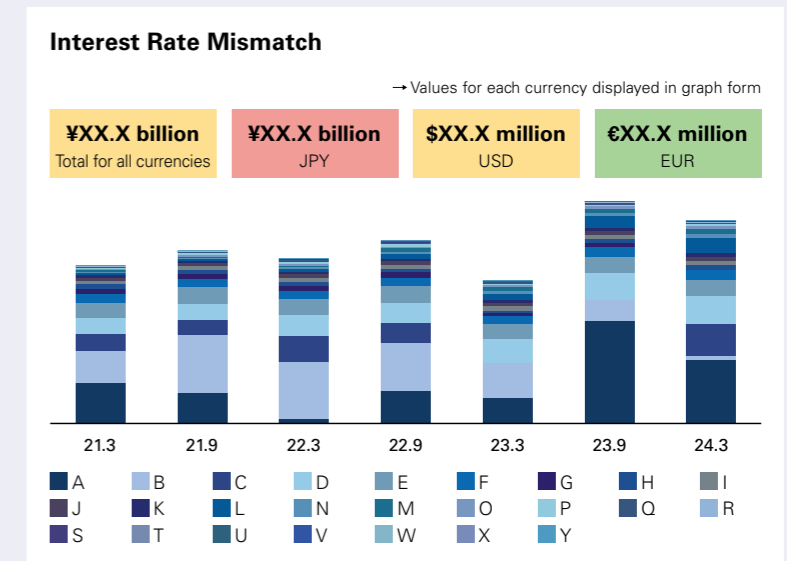
For a timely and appropriate response to our diversified business and the ever-changing business environment, proactive risk management through digitization, automation and collaboration with relevant corporate functions is essential. Therefore, talent acquisition and development aligned to these strategic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

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

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

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

### Example of Risk Dashboard





## Risk Management

## Risk Factors and Risk Management

Risk Factors	Risk Management	Departments Handling Risks	Executive Bodies Related to Risk Management
External environment-related risk	<ul style="list-style-type: none"> <li>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</li> <li>Establishment of a disaster risk management system <ul style="list-style-type: none"> <li>▶▶▶ <a href="#">Disaster Risk Management System</a></li> </ul> </li> <li>Establishment of a system to respond to climate change risks <ul style="list-style-type: none"> <li>▶ Page 40 Sustainability Governance Structure</li> <li>▶ Page 46 Information Disclosure Based on TCFD Recommendations</li> </ul> </li> </ul>	Corporate planning, Credit, Public relations, Public affairs, Investor relations, Sustainability, Treasury, ERM	Executive Committee Sustainability Committee
Credit risk	<ul style="list-style-type: none"> <li>When appraising individual projects, comprehensively evaluate the credit recipient's financial condition, cash flow, underlying security interests, profitability, etc.</li> <li>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"> <li>▶▶▶ <a href="#">Risk Management System for Investing and Lending</a></li> </ul> </li> </ul>	Credit, Corporate planning, Accounting, ERM	Investment and Credit Committee
Business risk	<ul style="list-style-type: none"> <li>Thoroughly analyze risk (scenario analysis and stress testing) before executing a business or investment</li> <li>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"> <li>▶▶▶ <a href="#">Risk Management System for Investing and Lending</a></li> </ul> </li> </ul>	Credit, Corporate planning, Accounting, ERM	Investment and Credit Committee
Market risk	<ul style="list-style-type: none"> <li>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)</li> </ul>	Credit, Treasury, Corporate planning, Accounting, ERM	Executive Committee
Liquidity risk (risk related to funding)	<ul style="list-style-type: none"> <li>Promotion of diversification of procurement methods</li> <li>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)</li> </ul>	Treasury, ERM	Executive Committee
Compliance risk	<ul style="list-style-type: none"> <li>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"> <li>▶▶▶ <a href="#">Compliance</a></li> </ul> </li> </ul>	Compliance, Public relations, Public affairs	Executive Committee Sustainability Committee
Legal risk	<ul style="list-style-type: none"> <li>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)</li> </ul>	Legal, Accounting, Investor relations, Sustainability	Executive Committee Sustainability Committee
Information / cybersecurity risk and IT risk	<ul style="list-style-type: none"> <li>Establishment of an information/cybersecurity risk, and IT risk management system (establishing internal regulations, implementing technical measures such as vulnerability management measures for information systems and network protection, establishing systems for response in the event of information cybersecurity incidents, and implementing measures to reduce the risk of system failures) <ul style="list-style-type: none"> <li>▶▶▶ <a href="#">Information Security</a></li> </ul> </li> </ul>	Information Security	Information Technology Management Committee
Operational risk	<ul style="list-style-type: none"> <li>Establishing, disseminating, and training about internal regulations</li> <li>Establishment of systems related to execution of operations <ul style="list-style-type: none"> <li>– Building an internal control system for financial reporting</li> <li>– Establishment of a personnel system and a work environment to stably secure diverse human resources <ul style="list-style-type: none"> <li>▶▶▶ <a href="#">Human Resources Strategy to Support Sustainable Growth</a></li> </ul> </li> <li>– Continuously strengthen the overall risk management system through monitoring of operational risks by the Audit Department</li> </ul> </li> <li>Establishing system for responding to and preventing recurrence of operational risk incidents, and risk control self-assessment <ul style="list-style-type: none"> <li>▶▶▶ <a href="#">Incident Management System</a></li> </ul> </li> </ul>	ERM, Human resources, Corporate administration, Accounting, Public relations, Public affairs	Executive Committee Sustainability Committee

# Promoting a Digital Transformation

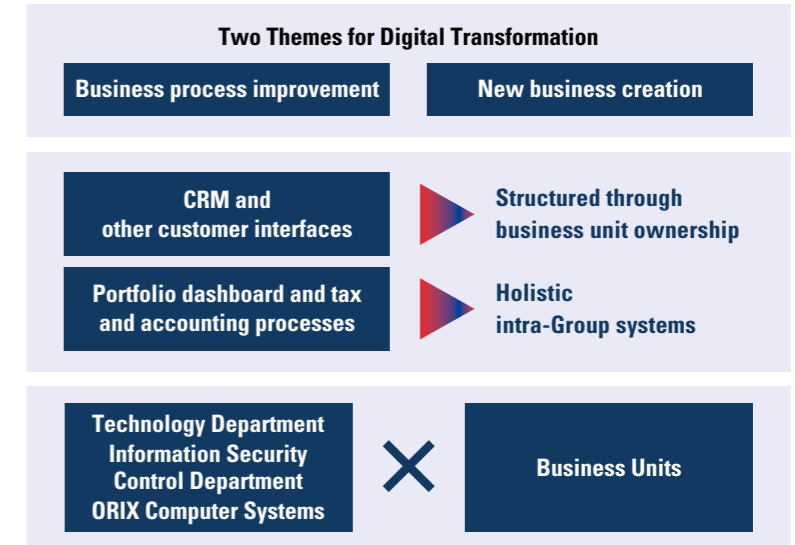
## Business Process Improvement and New Business Creation

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

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

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

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



## Using AI to Expand the Scope of Medical Insurance Underwriting

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

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



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

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

\*Optical character recognition device equipped with artificial intelligence.

## Virtual Underwriting Process

