



Governance

Corporate Governance

Our Approach to Corporate Governance

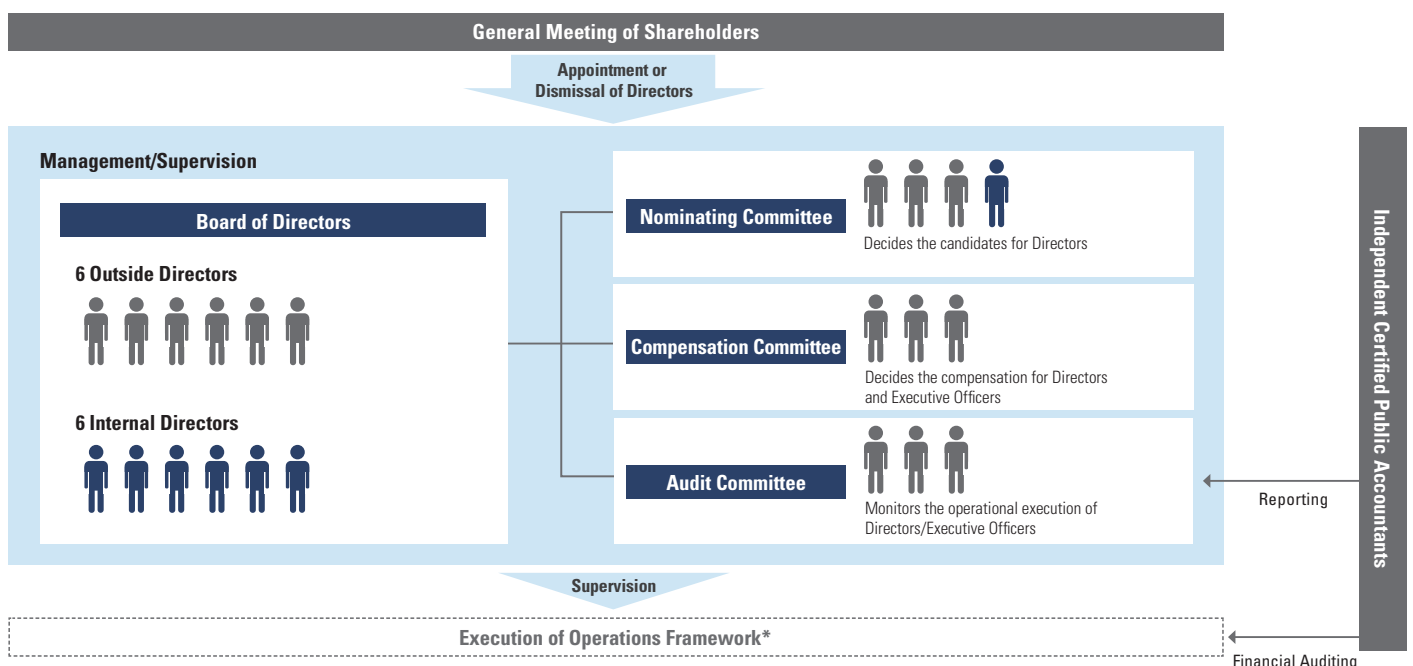
- ORIX believes that a robust corporate governance system is essential for ensuring objective management and carrying out appropriate business activities in line with our core policies. We have therefore aimed to establish a sound and transparent corporate governance system.
- Corporate governance is a system for exercising oversight over management. It involves setting objectives, performance analysis and evaluation, and supervision over management in order to ensure that management strives to attain outstanding results. The tension inherent in corporate governance encourages management to perform to the best of its ability and facilitates innovation in pursuit of corporate objectives. Such an approach is conducive to the achievement of consistently high return on equity.
- Outside directors have a crucial role to play in corporate governance. Based on their varied perspectives reflecting their diverse professional backgrounds, outside directors are more capable of objectively evaluating management’s performance in ways that transcend the industry’s conventional wisdom and the company’s ingrained practices. Moreover, by virtue of their outside perspectives, outside directors are in a position to more objectively evaluate and guide management when they are not taking on appropriate, intelligent risks.

Corporate Governance System

ORIX’s corporate governance system is characterized by:

- Separation of operation and oversight through a “Company with Nominating Committee, etc.” board model;
- The Nomination Committee being comprised of a majority of outside directors and the Audit and Compensation Committees being fully comprised of outside directors,
- with an outside director acting as chairperson for all aforementioned committees;
- All outside directors satisfying our strict conditions for independence; and
- All outside directors being highly qualified in their respective fields.

Corporate Governance Framework (As of July 1, 2019)



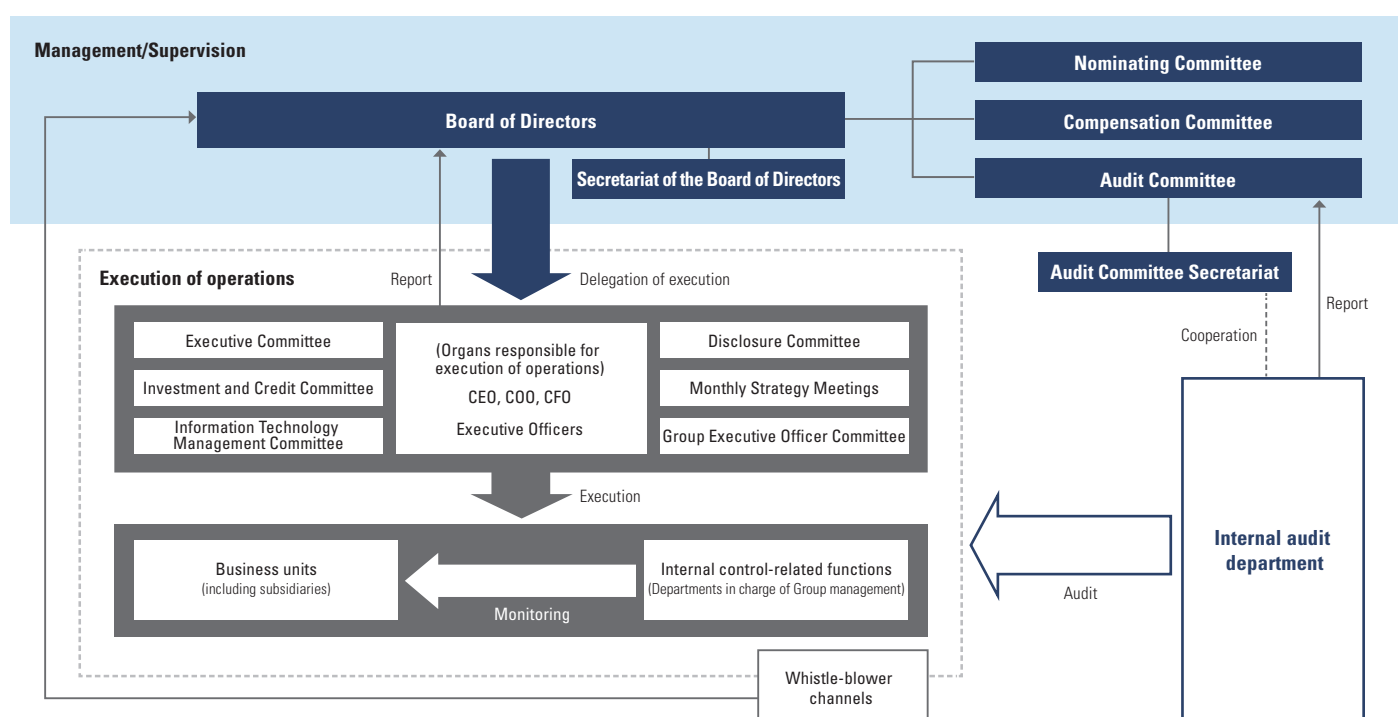
*Please refer to page 40 for Execution of Operations Framework.

Execution of Operation System

ORIX's internal control system aims to build an efficient business execution model that responds quickly and flexibly to changes in the business environment through the effective execution of ORIX's business operations such as risk management, compliance, group company management, and

auditing functions. Furthermore, we are actively working to continuously improve our internal control system in response to changes in the business environment as well as expansion and diversification of our business.

Execution of Operations Framework (As of July 1, 2019)



For more detailed information on our corporate governance, please refer to the following:

Form 20-F filed with the U.S. Securities and Exchange Commission ▶▶▶ <https://www.orix.co.jp/grp/en/ir/library/index.html>

Corporate Governance ▶▶▶ <https://www.orix.co.jp/grp/en/ir/governance>

Our Sustainability Governance Structure

Background

Because of our business principle to address societal issues and needs through our business activities, sustainability has always been in ORIX's DNA. However, institutionalizing and documenting our approach to sustainability and then sharing that approach with the world has been an area in which we have been lacking.

In order to improve our organizational structure and transparency regarding sustainability, in fall 2018, the CEO

created a sustainability task force which included members from corporate planning, investor relations, and legal departments. This team engaged expert outside consultants to help guide ORIX's approach to institutionalizing and documenting its approach to sustainability. The task force was then formalized into the ORIX Sustainability Team, which was officially formed in July 2019.

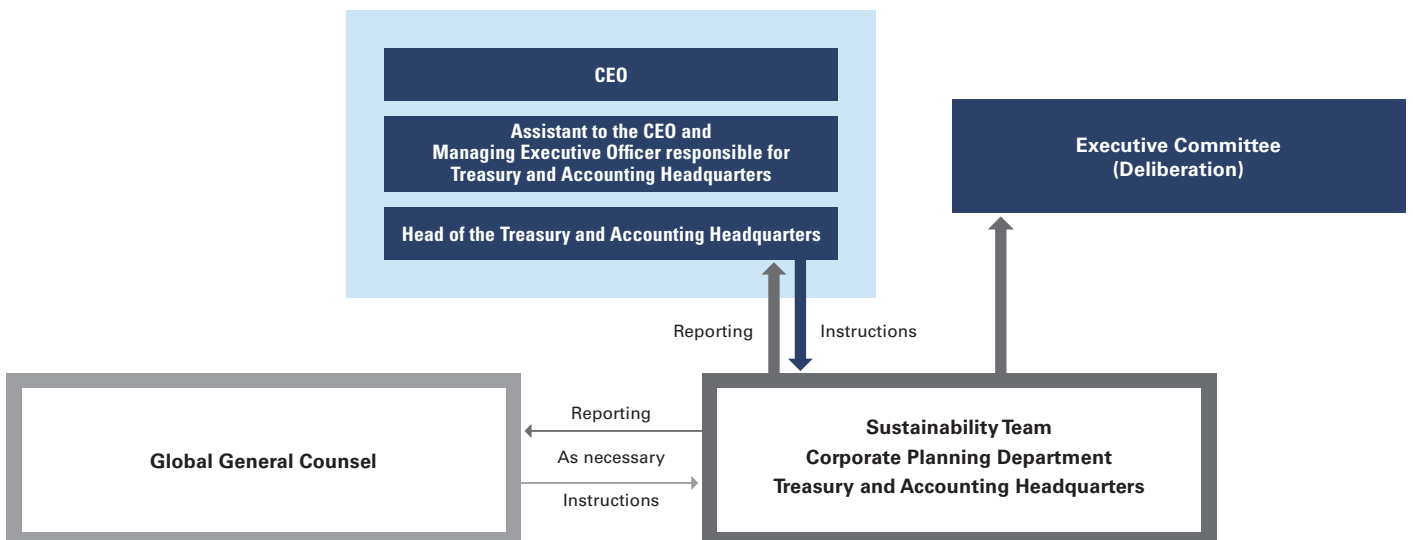
Introduction of the ORIX Sustainability Team

The ORIX Sustainability Team is located within the Corporate Planning Department, which in turn is part of the Treasury and Accounting Headquarters. The team reports to and works closely with top management, including the CEO, the Assistant to the CEO, Global General Counsel and the head of the Treasury and Accounting Headquarters. The Sustainability Team also reports to the Executive Committee, and will also present at the Board Audit Committee to both educate and prompt discussion and decision-making among the top executives and directors at ORIX.

The team is comprised of members with experience and

expertise both at ORIX Corporation and at previous jobs in corporate sustainability advisory matters, energy use matters, ESG investment and finance, investor relations, corporate planning, and environmental and general corporate law. Some members have built their careers at ORIX, making them knowledgeable about the intricacies of the complex organization that is ORIX, while some members have recently joined ORIX from various workplaces, bringing a fresh and global perspective to the team. We believe that this blend of backgrounds and areas of expertise gives the team a solid base from which to engage in new challenges.

Sustainability Governance Structure (As of July 1, 2019)



■ Purpose of the Sustainability Team

The purpose of the ORIX Sustainability Team is three-fold:

1. Oversee ORIX’s overall approach to sustainability.

This approach will set the tone from the top and aim to create a culture of corporate sustainability that permeates across ORIX.

This approach will emphasize minimum standards that must be met by all ORIX Group companies and employees and will work together with the more specific approach that will be set out by individual subsidiaries and business units.

The Sustainability Team will also be responsible for determining Group-wide sustainability initiatives, such as signing onto public commitments.

2. Encourage and assist subsidiaries and business units in setting specific sustainability goals tailored to that particular subsidiary or business unit’s business.

Recognizing that ORIX is a highly diversified and global enterprise that is impacted by sustainability issues in various industries and geographic regions, individual

subsidiaries and business units will be tasked with setting their own, tailored approach to sustainability.

The ORIX Sustainability Team will guide and assist subsidiaries and business units in formulating their approach and will monitor whether such approaches are in line with ORIX’s overall sustainability goals.

3. Report ORIX’s approach to sustainability to its stakeholders.

The ORIX Sustainability Team will be responsible for issuing an annual sustainability report.

The ORIX Sustainability Team will maintain ORIX’s sustainability website, which will serve as a repository for all matters related to ORIX’s approach to sustainability, including underlying data.

The ORIX Sustainability Team will help create a culture of corporate sustainability at ORIX through messaging and education, using diverse avenues such as ORIX’s internal news bulletin, sponsoring seminars open to all employees, and presentations to management.

[Sustainability Approach]

	Corporate Level	Business Unit Level
Applicability	Group-wide	Specific to each business unit
Governance	Executive Committee	Executive Committee and respective business unit heads
Administration	Sustainability Team Corporate Planning Department	Sustainability Team Corporate Planning Department Sustainability contact at each respective business unit
Key Terms	Unifying culture, minimum standards, zero tolerance, transparency	Tailored approach and ownership

Sustainable Investing and Lending

■ Establishment of Sustainable Investing and Lending Policy

ORIX recognizes that sustainability issues related to the environment, society, and governance (“ESG”) may have a significant impact on long-term risks and opportunities, and that consideration of sustainability in ORIX’s decision-making is an extremely important prerequisite for conducting business. We also believe that incorporating sustainability requirements into investment and financing considerations provides a better

understanding of the risks and opportunities associated with our businesses and activities and benefits our customers and shareholders as a result.

Based on the above ideas and the ORIX Corporate Sustainability Policy, ORIX adopted its Sustainable Investing and Lending Policy in September 2019.

■ Scope of the Policy

As a general rule, this policy shall apply to applications submitted to ORIX Corporation’s Investment and Credit Committee (“ICC”), which is one of the executive bodies of ORIX. Top management and the Executive Officers involved

in the relevant matter attend the ICC and deliberate on investment and financing matters which exceed certain specified investment or credit amount thresholds.

■ Operation of the Policy

Role of each department

- The relevant business team identifies sustainability related risks in a proposed project before submitting the proposal to the ICC.
- As the department in charge of reviewing all proposals submitted to the ICC, the Credit and Investment Management Headquarters collects sustainability related information related to the proposed project and relays that information to the Sustainability Team of the Corporate Planning Department.
- The Sustainability Team submits comments and recommendations to the ICC if it determines that a proposed project poses high sustainability related risks, taking into account potential mitigation measures including further due diligence conducted by expert outside advisors.

Assessment method

We holistically evaluate investing and lending projects based on criteria such as screening, integration and knowledge and analyze and identify sustainability related risks and opportunities in the proposed activities as part of our investing or lending decision.

Screening

ORIX’s investing and lending projects are assessed and decided after giving due consideration to the environmental and social impacts of the proposed project. We may decide to not invest or lend in businesses that are deemed to have insufficient management of environmental and social issues.

Integration

In order to holistically and comprehensively assess a proposed project, ORIX conducts risk assessments of projects that includes sustainability aspects, including corporate governance, environmental impact, and human rights, instead of limiting our assessment to the economic aspects of the proposed project.

Knowledge

ORIX shall use its Sustainable Investing and Lending Checklist to evaluate the sustainability aspect of the proposed project. The Sustainable Investing and Lending Checklist is filled out by the business team as part of its ICC application and is relayed to the Sustainability Team of the Corporate Planning Department through the Credit and Investment Management Headquarters. If, based on such process, a project is deemed to have significant sustainability risks, ORIX may conduct additional investigations using external experts with expertise in sustainability and ESG investment.

Active Ownership Activities

ORIX also actively engages to improve sustainability and ESG aspects in existing investing and lending projects. If necessary,

we will continue to monitor important ESG risks identified during the project assessment stage.

Compliance

■ ORIX's Approach to Compliance

ORIX has positioned compliance as one of our most important management issues, striving to build an effective compliance structure alongside a corporate culture that values high ethical

standards, and good faith, fairness and transparency in all corporate activities.

■ Compliance Structure

ORIX reports important compliance matters to the Executive Committee, the Group Executive Officer Committee and the Board Audit Committee. The Group Compliance Department, under the jurisdiction of the Head of ERM Headquarters,

cooperates with the compliance officers appointed at subsidiaries and business units, and promotes compliance activities across ORIX.



■ Annual Compliance Plan

In order to prevent and control compliance risks, ORIX establishes an annual a Group-wide action policy for compliance ("Annual Compliance Policy") each fiscal year.

Each ORIX Group subsidiary and business unit conducts risk assessments pursuant to this policy, and formulates an annual compliance plan for its own business in accordance with such risk assessments. The Group Compliance Department

reviews the appropriateness and effectiveness of the individual annual compliance plans. Following such review, each annual compliance plan is then put into practice at each respective subsidiary or business unit. At the end of the relevant period, a completion report is filed and the content of this report is reviewed by the Group Compliance Department.

■ Compliance Awareness Activities

Top management, including the CEO and Executive Officers responsible for compliance at ORIX, sends messages with the objective of improving compliance awareness for all ORIX Group officers and employees, and the Group Compliance Department also regularly sends information on specific points of caution and to generally spread awareness.

In addition, in order to promote a strong understanding of the importance of compliance in ORIX officers and employees that translates into day-to-day practice, compliance training is

conducted on an on-going basis. Specifically, training is conducted through the use of e-learning, group training, and onsite courses. In addition to training applicable to all employees, tailored training is conducted for new hires and officers.

In addition to such training, measures are taken to maintain and increase the awareness and sophistication of each officer and employee of ORIX, including the implementation of awareness surveys and workplace environment interviews on topics such as workplace harassment or work-life balance.

■ Compliance Training

ORIX regularly holds Compliance Officer Liaison Meetings, which are attended by compliance officers (persons appointed to promote compliance at each ORIX Group subsidiary and business unit) and aims to promote the understanding of ongoing compliance promotion measures and improve overall sophistication regarding compliance.

In addition, personnel at the Group Compliance Department endeavor to build a library of the latest market practices and information related to compliance and acquire skills for implementing compliance by liaising with external organizations and undergoing external training courses.

■ Surveys and Monitoring

The Group Compliance Department conducts surveys on workplace environment and compliance awareness, and reflects the results of such surveys in compliance measures.

In addition, in the event of a potential compliance violation,

the department conducts an investigation, provides instructions on corrective actions, and provides recommendations to the Human Resources Department on disciplinary action to take against violators.

■ Compliance Related Policies (As of October 31, 2019)

Compliance

ORIX has established Group-wide regulations on compliance, and has prescribed rules and codes of conduct that will keep officers and employees of ORIX in strict adherence with the legal requirements and company regulations.

ORIX has adopted its Group-wide Compliance Policy, which sets out ORIX's compliance requirements and compliance risk management systems. ORIX has also adopted a Compliance Manual which explains ORIX's Compliance Policy and Code of Conduct and Ethics in an easy to understand manner and aims to deepen employee awareness of compliance matters and improve compliance readiness.

Corruption

ORIX maintains the highest ethical standards, adheres to all applicable laws, and endeavors to ensure that its officers, employees, representatives and agents do not perform any acts over the course of business that are or may appear to be inappropriate. ORIX has adopted a Group-wide Anti-Corruption Policy which prohibits any inappropriate transfer of money regardless of circumstances or whether the other party to the transaction is a government employee, employee of a private company, or any other individual.

Entertainment and gifts

ORIX prescribes rules governing entertainment and gifts (whether given or received) in relation to public officials or ORIX's business partners in our Rules on Entertainment and Gift Giving and Receiving. ORIX prohibits the provision of entertainment or gifts as a means to obtain any unfair gain, and endeavors to conduct all transactions with public officials or business partners in a fair and transparent manner.

Money-laundering

ORIX endeavors to detect and appropriately manage money laundering risks. In the ORIX Group Money Laundering Prevention Policy, ORIX prescribes that in all business transactions of the Group, it will not participate in transactions related to revenue arising from an unlawful act, transactions that provide funds to terrorists, or transactions that do not adhere to sanctions or money laundering regulations of relevant jurisdictions. In addition, each ORIX Group company that is involved in business that is subject to the Japanese Act on Prevention of Transfer of Criminal Proceeds verifies the identity of the other parties to a transaction at the beginning of such transaction and notifies the relevant authorities of any suspicious transactions, as prescribed by the act.

Antisocial forces

ORIX's Detailed Rules on the Prevention of Harm by Antisocial Forces and other related rules prescribes ORIX's rules for the

prevention of harm by antisocial forces, including adherence to laws and regulations relating to freezing the assets of international terrorists and to the prevention of money laundering. ORIX's rules related to antisocial forces aim to minimize any damage or loss caused to ORIX's business in addition to fulfilling our basic responsibility to society to minimize the influence of antisocial forces.

Conflicts of interest

The ORIX Group Conflict of Interest Prevention Policy prescribes ORIX's standards for avoiding conflicts of interest and sets out appropriate management of an actual or potential conflict of interest for an officer or employee of ORIX Group.

Insider trading

The ORIX Insider Trading Policy prescribes the management of insider information obtained by officers and employees of ORIX Group over the course of their business, the regulation of the trading of shares, as well as other matters to prevent insider trading and other unfair business transactions.

Unfair transactions

ORIX endeavors to always engage in fair and free competition. The ORIX Compliance Rules Relating to the Prevention of Unfair Transactions are designed to prevent ORIX from conducting business transactions involving any unfair business practices.

Internal Whistle-Blower System

ORIX has established whistle-blower and consultation channels for fraud and legal violations (an outside law firm) and for accounting, internal control of accounting and audits (ORIX Audit Committee Secretariat) and whistle-blower hotlines for inappropriate business execution, harassment and other matters (both internal and external channels are available). These channels accept consultations from executives, employees, temp staff, part-time workers and retirees as well as members of their families by mail, direct visit, telephone and email, the last of which is available 24 hours a day, 365 days a year. We also use posters and the company intranet as a means of informing officers and employees about these consultation channels. In this way, we aim to improve the

soundness of Group management by detecting violations of laws, regulations and internal rules at an early stage in order to prevent scandals and make the necessary improvements.

Whistle-blower hotlines have been established both internally and externally. The external channel employs lawyers and specialists from outside ORIX, and we have also set up a channel for reporting to the Audit Committee, which is independent from management. We work to ensure that the system functions properly by facilitating anonymous reporting and reporting on systemic problems. These hotlines are also equipped to handle consultations from persons who are unsure how to deal with problems related to ethical conduct, legal conduct or organizational integrity.

In addition, the Rules on the Compliance Hotline, which set forth the structure and operation of the system, prohibit any disadvantageous treatment of whistle-blowers and those who cooperate with the investigation. These rules also impose an obligation on all officers and employees, including temp staff, upon learning of an actual or potential violation of laws, regulations or internal rules, to first, as a general rule, report it to

■ External Whistle-Blower System

As an aspect of promoting compliance, ORIX has established a whistle-blower channel for reports from business partners and other external parties. The Group Compliance Department at

their supervisor and in the event there is an obstacle to notifying their supervisor, to promptly contact the compliance hotline.

After receiving a report, access to the information is strictly controlled and limited to the persons involved, under the management of the hotline manager (the officer responsible for compliance). Appropriate investigations and corrective actions are then conducted.

ORIX Corporation accepts reports on actions by Group officers and employees that violate or may violate compliance policies.

Risk Management

■ Risk Management System Upgrades

ORIX believes effective risk management is vital to the continuity of its business activities and manages risks relating to Group businesses through its risk management system. To adequately assess risk on a global basis, we have established the Enterprise Risk Management (“ERM”) Headquarters to control and manage risk throughout ORIX and facilitate centralized risk management. Risk analysis and management are conducted

in coordination with internal control departments including the Credit Department, which monitors risks related to individual transactions. Results are reported to the Executive Committee, Investment and Credit Committee, Audit Committee, and Board of Directors, which use these reports to assess risk. Relevant executive bodies then implement measures deemed appropriate to address identified risks.

■ Risk Control

ORIX allocates management resources by taking into account Group-wide risk preferences based on management strategies as well as the strategies of individual business units. Our Board of Directors and Executive Officers evaluate the performance and profitability of each business unit, and the Executive Officers take responsive measures they deem necessary to control risk. This process enables us to control our balance sheet and allocate more management resources to business units viewed as having greater growth potential.

ORIX monitors each business unit, and also monitors risks on an individual transaction and total portfolio basis.

For individual transactions relating to business transactions, the Credit Department evaluates the operating environment, strategies, and potential risks and profitability of each transaction prior to execution, and the Investment and Credit

Committee reviews such individual transactions. Changes to the operating environment and cash flow are monitored after transaction execution, and transactions for which there has been a major change in circumstances or strategy are then reported to the appropriate Executive Officers. In addition, individual business units conduct their own risk analysis by analyzing trends in relevant industries to control risks for individual transactions.

In analyzing ORIX’s portfolio, the Credit Department monitors the following characteristics from a Group-wide perspective: business type, region, transaction type, risk type, asset quality and concentration of risk among major debtors. The Corporate Planning Department monitors risks at the corporate level, including market risk and liquidity risk, in cooperation with the Treasury Department and the Credit Department.

■ Management of Principal Risks

ORIX has established a system to appropriately identify and manage the characteristics of various risks related to Group

businesses. The following are our eight primary risks, and we manage each of them according to their features.

[Main Risks and Examples of Risk Management Methodologies]

Main Risks	Risk Definition	Examples of Risk Management Methodologies
Credit risk	Uncertainty regarding future recovery of investments caused by fluctuations in cash flow from debtors and investees.	<ul style="list-style-type: none"> • Obtain adequate collateral and guarantees • Securitize receivables • Diversify debtors and their business types
Business risk	Uncertainties related to new business areas, potential obsolescence of the products or services we offer or a decline in their quality, and variability in market prices for the types of products or services we offer.	<ul style="list-style-type: none"> • Conduct scenario analyses and stress testing • Monitor business plans and operations
Market risk	The risk of changes in the fair value of assets and liabilities caused by changes in market variables, such as interest rates, exchange rates and stock prices.	<ul style="list-style-type: none"> • Set Group-wide rules for comprehensive asset and liability management (ALM) • Comprehensively understand and verify market risks
Liquidity risk (risk relating to fund procurement)	The risk that we will be unable to obtain required funds or that we will be forced to procure funds at an unusually high rate of interest due to market turmoil, a sharp decline in the financial condition of ORIX or other reasons.	<ul style="list-style-type: none"> • Diversify fund procurement methods and sources • Manage liquidity on hand • Analyze liquidity risk using hypothetical stress scenarios
Compliance risk	The risk of damages, losses, adverse effects or damage to our reputation resulting from a failure by ORIX to comply with applicable laws and regulations regarding ORIX's business activities or corporate philosophy, internal policies, rules and procedures which may also encompass legal risk when applicable laws and regulations are violated.	<ul style="list-style-type: none"> • Formulate and implement an annual compliance plan • Implement programs that support a corporate culture of compliance • Raise awareness for compliance matters among officers and employees by establishing and disseminating various regulations
Legal risk	The risk of legal liability and business disadvantages that may arise from the establishment and amendment of or changes in regulatory oversight regarding laws and regulations applicable to ORIX's business and corporate management.	<ul style="list-style-type: none"> • Involve the Credit Department, the Legal Department and the Compliance Department to avoid, reduce and conduct measures to prevent risks • Employ internal and outside legal counsel
Information asset risk	The risk of loss caused by destruction, damage or leakage of information or failure of our information systems.	<ul style="list-style-type: none"> • Establish policies for information management systems*¹ • Maintain and manage internal systems and build a system to respond to information security incidents when they occur
Operational risk	The risk of loss resulting from damages, losses, adverse effects or damage to our reputation caused by inadequate or failed internal processes for business execution or prevention of human error or by a failure in operations due to external events such as natural disasters.	<ul style="list-style-type: none"> • Establish internal rules to manage risks associated with natural disasters*² • Monitor based on an annual internal audit plan

***1 Information Security Risk Management**

ORIX has established its Information Security Policy as the basic Group policy for addressing information asset risks. The policy sets forth guidelines for the appropriate handling of information assets based on their level of importance, prescribes ongoing attention and response measures to threats to important information and information system vulnerabilities, and determines the response system and responsibilities in the event a risk materializes.

Details of our main information security management initiatives are as follows.

- **Setting criteria for the level of importance of information**
We establish Group-wide criteria for the level of importance of information in order to identify important information.
- **Multiple safety management measures**
We conduct safety management that combines physical, human, organizational, and technical checks and balances, without excessive reliance on any one specific method or technique.

***2 Disaster Risk Management**

ORIX has established Basic Disaster Risk Management Rules, which set forth its basic approach, details of activities, framework for systematic execution of risk management and other matters in the event unforeseen incidents occur, including natural disasters or accidents. In tandem with these rules, ORIX has also established a Disaster Risk Management Basic Policy. Through such policies and rules, during normal, non-emergency periods, we seek to establish methods to mitigate foreseeable losses of management resources due

- **Identification of individual officers or employees before use of information systems**

We identify individual officers or employees before using information systems, with the concept that each individual will handle such information responsibly.

- **Ongoing officer and employee training**

We provide officers and employees with ongoing training on information security, including through e-learning.

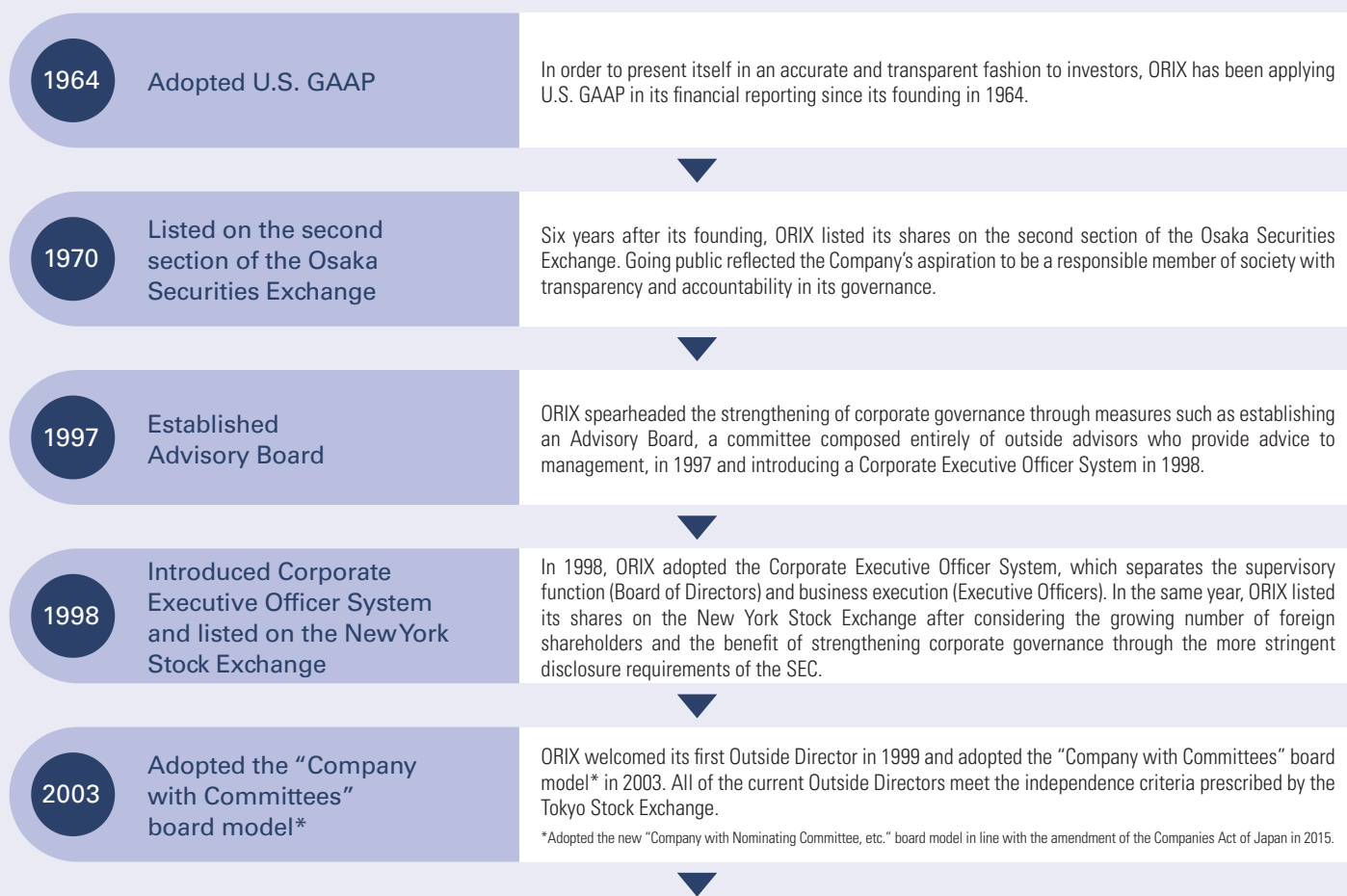
- **Preparation for the occurrence of information security incidents**

We prescribe responses in the event an information security incident occurs in the form of Group-wide internal regulations, and clearly identify the responding organizations and their responsibilities.

to disasters and establish remedial measures, and during emergency conditions, we aim to minimize damage by maintaining organizational functions and promptly recovering any lost functions. ORIX prioritizes guaranteeing the safety of its officers and employees and their families as it strives for the preservation or appropriate and prompt restoration of management resources. ORIX also responds to disaster-related societal demands.

Governance-Related Data

Evolution of Corporate Governance



This is how ORIX has been strengthening its management oversight since its founding. The current corporate governance framework requires a high level of discipline from the managers, but we believe this is how corporate governance is supposed to be.

Director Composition

	2015	2016	2017	2018	2019
Number of Directors	13	13	12	12	12
Number of Outside Directors	6	6	6	6	6
Percentage of Outside Directors	46%	46%	50%	50%	50%
Female Directors	1	1	1	1	2
Percentage of Female Directors	8%	8%	8%	8%	17%