

ORIX to Issue Subordinated Bonds—Equity Content at "Medium" or "50" (Against 100 of a Stock)

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the issuance of subordinate bonds by ORIX CORPORATION (security code: 8591).

ORIX CORPORATION (the "Company") today announced that it will issue subordinated bonds (20 billion yen in amount; the "Subordinated Bonds"). Funds to be raised by the bond issue will be appropriated for a part of funds required for the replacement of the 1st Series Subordinated Bonds (60 billion yen), for which the first call will come in March 2025. On a separate note, subordinated bonds in the amount of 40 billion yen were issued in July 2024.

<Assessment of Equity Content of Securities and Rationale>

JCR determined the equity content of the Subordinated Bonds to be at "medium" or "50" (against 100 of a stock).

JCR takes into account that "there is no obligation to redeem principal or no maturity," "there is no obligation to pay dividends" and "ranking of claims at the time of bankruptcy is subordinated" when assessing the equity content of hybrid securities.

While the period to maturity is extremely long 35 years and 5 months for the Subordinated Bonds, early redemption is possible after a lapse of 5 years and 5 months from the bonds issuance. In addition, early redemption as a result of the occurrence of Tax Events, Rating Events owing to changes in the assessment of equity content by a credit rating agency or other events are also possible. As for the interest rate, it is set to step up by 100 bps after a lapse of 25 years and 5 months after the bonds issuance. Even though the Company has expressed its intention for the replacement for the Subordinated Bonds at the time of early redemption, given the financial requirements, etc. set forth in the special exemptions that enable the Company to forgo the replacement, the replacement language is hardly effective. On the other hand, discretion regarding early redemption will be materially constrained in effect when the interest rate steps up by 100 bps. JCR incorporates these points into the assessment of permanence of the principal.

Based on the above factors, JCR considers it unlikely that the Company will make early redemption without replacement when its creditworthiness declines and factored this view in the assessment of the effective redemption obligation and maturity for the Subordinated Bonds. This judgment reflects, along with other factors, that: (i) JCR, through an interview with the Company, was able to ascertain the Company's future financial management policy including the position of the Subordinated Bonds; (ii) the Company has long been winning the confidence of investors and creditors by maintaining good relations with them in the financial market; and (iii) the issuance of the Subordinated Bonds itself replaces existing hybrid financing, which will be callable in March 2025, and this is deemed to express the Company's stance to abide by the replacement.

JCR will consider lowering the assessment of the equity content to a debt level when the remaining period becomes less than 30 years and the period until the interest rate steps up by 100 bps in total becomes less than 20 years.

Kiichi Sugiura, Hidekazu Sakai for Issuer
Kiichi Sugiura, Yasuhiro Shimoda for Hybrid Securities

Details of the Subordinated Bonds

Issuer: ORIX CORPORATION

Issue	Amount (bn)	Issue Date	Redemption Date	Coupon
6th Series Deferrable Interest and Callable Unsecured Subordinated Bonds	JPY 20	Oct. 31, 2024	Mar. 31, 2060	(Note)

Note: 1.728% on interest payment dates from November 1, 2024 to and including March 31, 2030. 1-year JGB interest rate as of the interest rate reference date + 1.150% on interest payment dates from April 1, 2030 to and including March 31, 2050. 1-year JGB interest rate as of the interest rate reference date + 2.150% after that date.

Early Redemption/Purchase:	Early redemption after a lapse of 5 years from the bonds issuance Early redemption upon occurrence of Tax Events or Rating Events Purchase
Replacement:	There has been representation of intention for replacement.
Optional Interest Suspension:	The Company may suspend interest payment at its discretion.
Accumulation/Non-Accumulation:	Accumulation
Ranking of Claims:	The Subordinated Bonds are subordinated to all debts (excluding the Subordinated Bonds and the subordinated debts ranking pari passu with the Subordinated Bonds) and rank pari passu with the preferred shares.

<Reference>

Issuer: ORIX CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

Japan Credit Rating Agency, Ltd.

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)